

2013 HOUSE APPROPRIATIONS

HB 1005

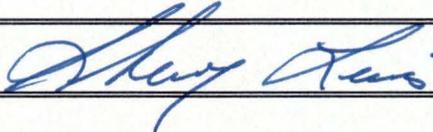
2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Government Operations Division
Medora Room, State Capitol

HB1005
January 16, 2013
Recorder Job# 17305

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the state treasurer; and to amend and reenact section 54-11-13 of the North Dakota Century Code, relating to the salary of the state treasurer.

Minutes:

Chairman Thoreson: Opened the hearing on HB1005.

Kelly Schmidt, Treasurer, ND Office of State Treasurer: See testimony attachment 1.

14:05

Chairman Thoreson: So that's your immediate need, the account manager; but, that wasn't the one included in the executive budget? Is that correct?

Kelly Schmidt: That's correct. We asked for an account manager and a budget specialist; and we were given a budget specialist. In order for us to get an account manager, we would need the additional funds.

Chairman Thoreson: So why was it determined to include that position? Were you given an explanation why the account budget specialist position was included instead of the account manager?

Kelly Schmidt: I was not an explanation.

Chairman Thoreson: Joe, do you have any information on that from OMB?

Joe Morrissette, Fiscal Analyst, ND Office of Management and Budget: I was hoping you wouldn't ask me as I'm filling in for Lori.

Chairman Thoreson: I guess I would like to have some kind of an explanation as to why that determination was made.

Joe Morrissette: Is an email from Lori sufficient?

Chairman Thoreson: That's fine.

15:12

Representative Glassheim: If you were only to get one position; are you asking us to go above the governor's recommendation and give you two? Are you saying if we give you one position, you'd like the account manager position; rather than what's in the budget?

Kelly Schmidt: I have abandoned the thought of 2 FTE's. I would like to have the additional dollars for the account manager position. I'm also requesting additional dollars to my salary line; so I would have the ability to bring in a temporary help if we need it. We could perhaps share that temporary person with another state agency to come in for a few months and address our computer issues. We're losing a day's worth of work. We've added additional memory to all four of my fiscal staff's computers because we need to make sure this doesn't happen again. We're to the point where we're using a USB stick; and I'm asking them to save their data every time they step away from their desk. So that if they lose it in their system, that they have it on their stick and they can import it right back in.

18:10

Representative Kempenich: Is that \$191,000.00 part of the IT upgrade? Is that for the cash management part of it?

Kelly Schmidt: No. That's not part of the cash management process. That's something that's come up since the budget has been prepared. It's to find out if the PeopleSoft module would be available. We haven't had the opportunity to get together with Jeff Larshus in OMB to see if that's even an option for us. My plan would be to bring in that account manager position and get them working on the cash management process; and fit in what we can moving forward with the PeopleSoft option.

Representative Kempenich: Do you have in your testimony what you need as far as if we did move the position? I think right now there's \$157,000.00 for a position.

Kelly Schmidt: In my testimony I have that we would need an additional \$38,000.00 for wages and benefits to hire an account manager; and then I've requested an additional \$40,000.00 in that salary line for the biennium for temporary help.

Representative Kempenich: What's the availability to try and get someone in that position?

Kelly Schmidt: I've looked at some background and I believe there may be people within the state government process already who are looking for an opportunity to advance. The challenge will be if they're willing to take on the challenge of the stress that's going to come with it for a while.

22:28

Vice Chairman Brandenburg: Now that you have more workload, wouldn't that quantify as a request to look for another employee?

Kelly Schmidt: That's a portion of it, yes. When you eliminated the permanent Oil Tax Trust Fund, you eliminated one fund but you created five new ones.

Representative Kempenich: Is there somebody doing something with that as far as a piece of legislation? Is it something we should have a discussion about changing this?

Kelly Schmidt: I have had a conversation with Representative Skarphol when we discussed his original oil and gas bill. I would guess that he's going to address that in that bill. The discussion also needs to be had from the revenue side.

Representative Kempenich: That's when you start changing things when the apple cart gets upset.

Kelly Schmidt: From the way the distribution is now, the counties are getting more dollars; so I don't anticipate that there would be any issue with the counties.

30:11

Representative Glassheim: What is the status of this? Did cost money?

Kelly Schmidt: There hasn't been any state government money that has been spent on that. See attachments 2 and 3. It's a partnership that I have through the National Association of State Treasurer's and Visa; to provide an unlimited amount of discs and games. We have teachers that are using those; I go out and speak and they are distributed to public schools, public libraries, private schools, anyone that wants them or requests them. I've even taken some of them out to Ellendale to the prison; and had a visit with some of the women that are getting ready to go back into the world. We've talked about budgeting and learning the simple legalese, etc. Anytime we have those opportunities, whether it to speak at colleges or businesses; there's lots of ways to use financial literacy.

Chairman Thoreson: I see Lori has joined us from OMB. We had a question as to why with the two positions requested, the account manager versus the budget specialist; why the budget specialist position was included in the governor's recommendation?

Lori Laschkewitsch, Fiscal Analyst, ND Office of Management and Budget: I think just in looking at the workload and the demands of the workload in her office, thought that potentially having another budget specialist to assist with that workload in hope that over that time period that they would be able to fill some of those management duties.

Chairman Thoreson: Recessed the hearing.

Chairman Thoreson: Reopened the hearing.

34:00

Kelly Schmidt: As I mentioned, the state does own the cash management module to PeopleSoft and I have emailed Jeff Larshus at OMB asking for some additional information relating to that module. There is an opportunity to team with another state agency in an effort to bring someone in on a temporary basis to deal with some of the IT issues that we've been experiencing.

Chairman Thoreson: Is that correct that we do have the cash management module?

Mike Ressler, Director of Operations, Deputy CIO, ND Information Technology Department: That is correct. When we purchased PeopleSoft, we pretty much got an all inclusive package of all the modules that were in there. The real cost is putting it into deployment. We've made progress over the years in deploying many of these modules.

Chairman Thoreson: Since we own that module do we also get updates to it as they make improvements?

Mike Ressler: It's included in the annual maintenance that we pay PeopleSoft. I don't know if the cash management module that's included in our current license meets the needs of what the treasurer's office or OMB needs as a cash management module.

Chairman Thoreson: If you get any information on that you can provide it to the committee.

Mike Ressler: We'll do that.

Chairman Thoreson: Kelly said you having some gremlins. Is that something that you can discuss at this time what you're working on with the issues of the treasurer's office?

Mike Ressler: One of the challenges we've had over the years with some of the small midsize agencies is desktop support service. We've made the decision to get out of the desktop support business and in a sense contract that service externally. The Association of Counties was a vendor that we had selected. It isn't so much desktop support as device support. We took a couple of temporary positions and talked to the department of agriculture and the secretary of state; and dedicated them to those two agencies. I believe there are other midsize agencies that need this type of support.

Chairman Thoreson: You said you moved those two temporary positions into that role?

Mike Ressler: Correct.

Chairman Thoreson: What were they doing prior to that?

Mike Ressler: They didn't exist.

Chairman Thoreson: They supported the broad range of devices; the desktop, the iPhone, iPad?

Mike Ressler: Correct. What we found in those two agencies is that they were so far behind in their software; because they were struggling keeping their technology up.

Chairman Thoreson: How long of a time frame did you have them in there?

Mike Ressler: I would say probably about six months. We're still providing service to those two. I offered to the treasurer that we would send some people up there; because,

she was having problems with her desktop and we thought we could do a similar thing for her.

Chairman Thoreson: You said there was work being done and when it was saved it was disappearing?

Kelly Schmidt: Yes.

Chairman Thoreson: Closed the hearing on HB1005.

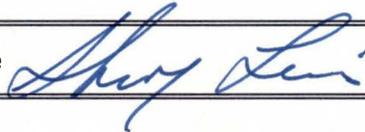
2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Government Operations Division
Medora Room, State Capitol

HB1005
January 29, 2013
Recording Job# 17870

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the state treasurer; and to amend and reenact section 54-11-13 of the North Dakota Century Code, relating to the salary of the state treasurer.

Minutes:

Chairman Thoreson: Opened the hearing on HB1005.

Ken Purdy, Compensation Manager, Human Resource Management Services, ND Office of Management and Budget: Testimony see attachments 1 and 2.

Kelly Schmidt, Treasurer, ND Office of the State Treasurer: Explained the green sheet.

4:51

Vice Chairman Brandenburg: If you could give a little explanation of what TDOC is.

Kelly Schmidt: Well TDOC is Tax Distribution Outstanding Checks; that is a system that originally written on the mainframe portion of IT's projects. The biggest thing that TDOC did when we rewrote our distribution process is it made it more user friendly for us. The old system was expensive to maintain information and it was not user friendly. The other portion of TDOC, when you see the distributions that we make on our website, instead of us having to have mail, email or direct communication with the political subdivisions that we distribute to; they now go out and look at the website and that's how they know what's coming to them and what they need to do with it. There is one thing I noticed on the agency report, when my deputy completed that report; we were on a timeline to get our website updated. That has not been started and not been completed; because IT has not been able to get a person in place for us to get that accomplished. Since we have last talked, I have made the decision to abort that project.

Vice Chairman Brandenburg: You're looking for \$191,000.00 there.

Kelly Schmidt: That's the one time projects that were to continue to add different distributions onto TDOC.

Representative Sanford: I'd like you to refresh my memory of the way you do investments. You're investing funds from several agencies. What are the limitations that you have?

Kelly Schmidt: Gave an overview of the different funds managed and invested by the treasurer's department.

13:12

Representative Sanford: You have differing needs for cash flow for various agencies that you're investing for; what does that equate to in staffing?

Kelly Schmidt: I'm going to add one more fund to that and that is the veteran's postwar trust fund. Our agency runs like a bank; my entire staff, with the exception of my deputy, is involved in the day to day processes of money. We take in deposits, manage the cash flow, do the investments. There are 54 general fund cd's totaling \$750 million. As of yesterday, we over 325 general fund cd's totaling \$2.7 billion; that's just the general fund.

Chairman Thoreson: That was from 2005 to present?

Kelly Schmidt: Yes.

Kelly Schmidt continued with the green sheet.

20:30

Vice Chairman Brandenburg: So you're looking for an account manager which would take another \$40,000.00; and you're also looking for a temporary position.

Kelly Schmidt: For a temporary position.

Vice Chairman Brandenburg: How many dollars for a temporary?

Kelly Schmidt: I don't have that number of me; but, I can get it to you.

Representative Sanford: I remember you stating that what the governor included in the budget was a budget specialist; you needed an account manager and that there was an additional \$38,000.00. Is that included in this?

Kelly Schmidt: The dollar amount in here is just for a budget specialist; that would not include the \$38,000.00 for an account manager, nor would it include any additional dollars for temporary staffing.

Kelly Schmidt continued with her explanation of items on the green sheet.

22:49

Vice Chairman Brandenburg: You mentioned in handling that to distribute the money, that could cause some additional costs with oil versus nonoil.

Kelly Schmidt: We currently have in our TDOC system, the distribution to send dollars out to the counties; which is statewide. We have the technology in the TDOC system because of this distribution of the \$48 million which we implemented last biennium for nonoil producing counties. We do not have the coding and the computer system currently to accommodate sending out a dollar amount to only oil producing counties. That would require additional IT dollars; and time and talent from my office in order to write the program, test it and implement it.

Representative Kempenich: Are you going to get some dollar amounts together?

Kelly Schmidt: We have requested an estimate from ITD and are awaiting that information.

Representative Kempenich: You won't have to write a new program for that \$100 million for that nonoil?

Kelly Schmidt: We do already have that because of the \$48 million last time. We have established that at crossover, we look at everything that's still pending. We get IT estimates from ITD for anything that would change our system and bring it to the other body.

Vice Chairman Brandenburg: Anything else you would like to add concerning your budget?

Kelly Schmidt: In my original testimony we talked about the cash management process we use in our office; and possibly using the cash module for PeopleSoft. From discussions with my peers, and with the three states that have used the cash module of PeopleSoft, we are no longer looking at doing that.

Chairman Thoreson: Closed the hearing.

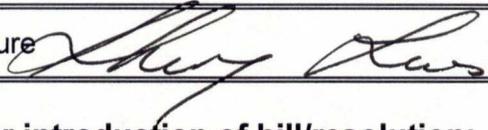
2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Government Operations Division
Medora Room, State Capitol

HB1005
February 11, 2013
Recording Job# 18660

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the state treasurer; and to amend and reenact section 54-11-13 of the North Dakota Century Code, relating to the salary of the state treasurer.

Minutes:

Vice Chairman Brandenburg: Opened the discussion on HB1005.

Vice Chairman Brandenburg: The treasurer reported that she had gotten together with Mike Ressler from ITD. They were putting a package together for them because of some software updates that they needed for their system. We want to put an emergency clause in for the supervisor.

Representative Kempenich: I think it would be a budget manager instead of a specialist; and then maybe put some temp money in.

Vice Chairman Brandenburg: I think there was another position for a temporary when they needed some help to be able to hire somebody part-time; they were going to share it with somebody else.

Representative Kempenich: I don't have any dollar amounts.

Vice Chairman Brandenburg: We better get that finalized.

Representative Sanford: So you have three changes then?

Vice Chairman Brandenburg: We're changing from an account manager, IT money, and then the money for the temporary position. I have notes that it takes \$38,000.00 more for the account manager and \$40,000.00 for the temporary part-time and then some IT money also.

Vice Chairman Brandenburg: Closed the discussion.

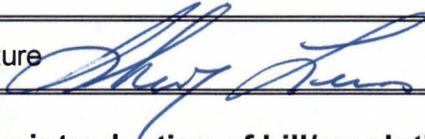
2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Government Operations Division
Medora Room, State Capitol

HB1005
February 15, 2013
Recording Job# 19033

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the state treasurer; and to amend and reenact section 54-11-13 of the North Dakota Century Code, relating to the salary of the state treasurer.

Minutes:

Chairman Thoreson: Opened the discussion. It was noted all members were present.

Kelly Schmidt, Treasurer, ND Treasurer's Department: See attachment 1.

Mike Ressler, Deputy CIO, ND Information Technology Department: Yes. We have been working with Treasurer Schmidt on putting together cost estimates. We did estimate high; but, we only charge the agency what our actual costs are. We were exploring the PeopleSoft module for the cash management module; and we've determined at this point that we don't know enough about the requirements that the treasurer office needs with the cash management system.

Chairman Thoreson: In the end the PeopleSoft piece may not have been the one that worked the best in this case. So you'll try to find something that is better or develop something to get the job done.

Mike Ressler: Correct.

Vice Chairman Brandenburg: This will bring the treasurer's office up to date?

Mike Ressler: Exactly. We're starting to see more agencies take their paper documents, scan them and then have electronic systems.

Chairman Thoreson: What happens to the physical document? Is it held for any length of time?

Mike Ressler: That depends on the requirements of that document.

Chairman Thoreson: I'm guessing a lot of these documents have personal information or unique identifiers. How do you segregate that so that somebody can't get that information?

Mike Ressler: That is a big concern and always will be. The way all technology systems are developed today is there is security to a field.

Representative Guggisberg: I haven't seen the amendment for this budget. The first time you came in and gave a speech about the importance of your employees and keeping them. There's going to be about a \$70,000.00 cut in salary and benefits for your department. Do you think that's going to affect your ability to keep your staff or get new staff if you need staff?

Kelly Schmidt: We are in a bit of different situation than other departments and if you look where are staff is right now relating to equity, we had a long time employee recently retire that allowed us to spread what we rolled up to some of our other employees. My priority is to keep the people I have and taking care of the ones that I have.

Representative Guggisberg: In North Dakota public employees don't have collective bargaining; so they don't have a chance to fight for their wages.

Representative Glassheim: On the green sheets we have the TDOC at \$191,000.00 and here I see \$60,000.00. Are they the same items that we need to reduce by \$120,000.00?

Kelly Schmidt: The information that you just received from Mr. Ressler and I would be in addition to what's on the green sheet. \$150,480.00 is what we need to add to TDOC to accommodate the changes that are reflected with HB1358.

Chairman Thoreson: You would take this number and then add the other?

Kelly Schmidt: Yes. If we add the FileNet it's a total of \$173,304.00 would be added to the green sheet total of \$191,516.00. That would be our total one time IT costs.

Chairman Thoreson: With that amount, that gets you where you need to be IT wise? Are there still things that you are looking at?

Kelly Schmidt: Mr. Ressler and I discussed the cash management piece that is still in development.

Vice Chairman Brandenburg: Made a motion to add an account manager and also temporary money of \$60,000.00.

Chairman Thoreson: You're saying that you would like to add one additional FTE?

Vice Chairman Brandenburg: The additional FTE is \$38,000.00 and the part time was \$20,000.00 for a total of \$60,000.00.

Chairman Thoreson: This would be a total of one additional FTE and would be an account manager position in lieu of the other position?

Vice Chairman Brandenburg: Increase it about \$38,000.00 for that position.

Representative Kempenich: What is your temporary line?

Kelly Schmidt: \$7,500.00.

Chairman Thoreson: Right now you have \$7,500.00 for temporary positions?

Kelly Schmidt: That's what I take from my salary line to accommodate for incidentals. Referenced original testimony.

Vice Chairman Brandenburg: With the bills that are out there and the money that's going to need to be distributed, the work that it's going to take to administer these programs it's going to take this much money to do it.

Chairman Thoreson: This is money for temporary employees to help in the distributions because of pending legislation.

Kelly Schmidt: Even just workflow challenges that were having.

Representative Sanford: On the account manager, was that an extra \$38,000.00?

Vice Chairman Brandenburg: Yes.

Chairman Thoreson: Then IT in the amount of \$173,304.00?

Kelly Schmidt: We do have some one time IT dollars that will be coming back this biennium on projects that we've not had the time to complete. I don't know that number at this moment; but, I know it's in excess of \$100,000.00.

Chairman Thoreson: Is that something that you hope to do in the next biennium?

Kelly Schmidt: That money doesn't carry over. What we would hope to do is as these bills start getting passed and as soon as they're signed by the governor we can have IT start working with a few of the dollars that we have.

Chairman Thoreson: Your intention is to use what you can when you know what you need it for; but, some of it will come back before the end of the biennium.

Vice Chairman Brandenburg: Also addressing the salary of the treasurer of \$96,794.00 the first year and \$100,666.00 the second year.

Chairman Thoreson: What determination was made in these numbers?

Vice Chairman Brandenburg: These figures match up with the lieutenant governor and is also an elected official.

Representative Kempenich: A county didn't report some townships and the way we've been rolling out this distribution money has been based on directly distributing money to

townships. A county made a mistake on this one and I have a feeling that there are more counties out there that aren't paying attention to what we're doing. We're going to have to fix what's happened but there's an amendment that we need to put on the budget. Even if it's not the treasurer's fault; if it's discovered by the treasurer, the treasurer has to make up for it.

Kelly Schmidt: When we find an error that's been reported by a county inaccurately, we not only have to make the correction; which we are required by law to do, we then have to go back and take money away from the other entities that received dollars. We have to completely redo the calculations and redo the financial portion of the distribution. It was always our understanding that that language was to correct over and under payments by the state treasurer; but, it has been interpreted to mean something more.

Representative Sanford: When this money is distributed, is the sum a set number? Is that why you have to do the recalculations?

Kelly Schmidt: It depends on the distribution, if it's a set number or if it's a calculation or formula, we have to back out of that formula or calculation and redistribute with the new number. The issue we have right now is that a county has under reported their townships. Now we have to go back and make that county whole. We either do that by requesting an appropriation or go back and roll those numbers back from the other counties to make up for making that county whole. The new distribution that we're doing in SB2176; we are now short \$415,000.00 from distributing \$15,000.00 to each county as it relates to township roads. So the \$20 million that was appropriated we need \$20,415,000.00. So, we have to wait for another bill to be passed before we can complete that distribution. It doesn't affect just the county, it affects every non-oil producing county.

Representative Sanford: You must be doing this on a prorated basis. You have to recover from the others to make up for a payment here.

Representative Kempenich: Last special session in November, there was an amount of money that went out to non-oil townships. We're dealing with Morton County and there are 59 townships at \$10,000.00 it figures out to \$590,000.00.

Kelly Schmidt: To clarify, SB2176 distribution hasn't come out.

Representative Kempenich: So \$80 million was for non-oil counties and \$20 for non-oil townships. Out of the \$80 million, the \$590,000.00 would come out of the \$80 million and then put the \$415,000.00 to make this whole to the townships. Then we'll hold this \$590,000.00 until we get the DOT budget. So there will be \$175,000.00 sitting there after we pull the \$590,000.00 back out of the \$80 million; so will have to appropriate \$415,000.00 to make Morton County whole.

Chairman Thoreson: You're holding SB2176 distribution right now?

Kelly Schmidt: I have no choice but to hold it until it's resolved.

Chairman Thoreson: Because of this issue?

Kelly Schmidt: Correct.

Representative Kempenich: We're going to put some legislative intent of how this follows through; so you're not the one making the decisions. It's the legislature that's going to make the decision of how that gets resolved.

Kelly Schmidt: I understand that but the legislative intent that's being place on the House side and the legislative intent on the Senate side are different.

Chairman Thoreson: Closed the discussion.

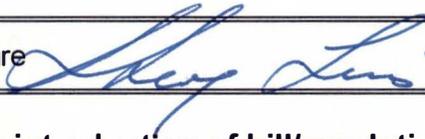
2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Government Operations Division
Medora Room, State Capitol

HB1005
February 19, 2013
Recording Job# 19156

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the state treasurer; and to amend and reenact section 54-11-13 of the North Dakota Century Code, relating to the salary of the state treasurer.

Minutes:

Chairman Thoreson: Opened the discussion on HB1005.

Representative Kempenich: I think the idea is to just increase the treasurer's salary. It's to match the lowest elected officials.

Representative Glassheim: This matches the lieutenant governor's salary?

Representative Kempenich: It's a little under the auditor's salary.

Kelly Schmidt, Treasurer, ND Office of the Treasurer: When we had our original testimony on the bill, we talked about temporary salary line. I communicated to Representative Brandenburg that instead of requesting that second FTE that we were going to request dollars in our salary line. That total dollar amount came to \$60,000.00; and you have \$20,000.00 on the worksheet. So I'm asking for some clarification.

Representative Kempenich: I think it's additional to the governor's budget is.

Kelly Schmidt: The governor's budget didn't have any temporary salary in it.

Chairman Thoreson: So that's \$60,000.00 general fund for #3 on the proposed changes?

Kelly Schmidt: Correct.

Representative Kempenich: I think we can remove #3 under other proposed changes.

Chairman Thoreson: See attachment 1.

Representative Kempenich: These distributions going to out to the counties; how hard would it be to have a report put together mid-year of what went out to these political subdivisions?

Chairman Thoreson: Is that something you keep a running track of?

Kelly Schmidt: The information of every distribution that we do out of the treasurer's office is available on our website right now. As soon as we kick it out, within 24 hours of the money going into their accounts it's on our website. If you want to get down to the township level, that information has to come from the counties. We would have to establish and compile information from each county and find out how they distributed those dollars moving down to the township level.

Representative Kempenich: This is really property tax relief.

Chairman Thoreson: Is there anything else we want to add to the list or make changes to?

Representative Kempenich: Do we have compilations of what we are doing going back with political subdivisions?

Alan Knudson, Fiscal Analyst, ND Legislative Council: We have a schedule that shows all the state assistance that goes back to political subdivisions.

Representative Sanford: Are we being careful in what we're doing in terms of policy that we have? Are we going to start building schools for the locals? Are we going to start giving operational money to the schools? If we are we're going to have some consequences when it comes to equity and all these issues that go back to school funding.

Representative Kempenich: In one way you're probably relieving more than intended but your evaluations should reflect that also.

Representative Sanford: An example might be Williams County; the only school district that's hurting tax base wise is Williston. That's because they're cornered into their historic zone. The rest of them have equity numbers that go up to 160%; they exceed the equity range of 90% to 150% already.

Representative Sanford: Made a motion to adopt the amendment.

Representative Kempenich: Seconded the motion.

A voice vote was made to adopt the amendment. The motion carried.

Representative Hawken: Made a motion for a "Do Pass as Amended".

Representative Kempenich: Seconded the motion.

A roll call vote was made. 6 Yeas 0 Nays 1 Absent

Representative Guggisberg: Carried the bill

Chairman Thoreson: Closed the discussion.

2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Committee
Roughrider Room, State Capitol

HB 1005
2/21/13
Job # 19376

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A bill relating to the salary of the state treasurer.

Minutes:

Rep. Guggisberg moved amendment .01001.
The motion was seconded by Rep. Thoreson.
Rep. Guggisberg explained the amendment.

02:45

Rep. Monson: Are you saying that the treasurer has never had the ability to correct errors?

Chairman Delzer: No, this is saying that if the error is the treasurer's, they will correct it. If it is an error of a county or something, they will not correct it.

Rep. Thoreson: Correct, without the new language the treasurer would have to correct the errors made by them. This would clarify that the errors made by her office only have to be corrected.

Chairman Delzer: This would only be for future situations after July 1st?

Rep. Thoreson: That is correct.

Chairman Delzer: You added some money to reclassify. Is the correction on the salary the same as all the others?

Rep. Guggisberg: No, it matches the treasurer's salary to the state auditor's salary.

Rep. Thoreson: Are you asking about that specifically, or the other employees?

Chairman Delzer: The others are all the same, but some we have been doing a three and three, and this is more than that?

Rep. Guggisberg: Yes.

Chairman Delzer: How much of an increase was that over the current amount of the treasurer's salary?

Rep. Kempenich: It is \$5415 per year. Currently the 2014 salary is \$90,025 and in 2015 it would be \$93,243, before the correction. With the correction it will be \$95,863 and \$98,739. It will be to the bottom row of the elected officials.

**A voice vote was taken on amendment .01001 on HB 1005.
The motion carried.**

Rep. Guggisberg went through the green sheet.

Rep. Guggisberg moved a DO PASS as amended on HB 1005.

Rep. Brandenburg seconded the motion.

A roll call vote was taken. Aye 17 Nay 4 Absent 1.

The motion carried.

Representative Guggisberg will carry HB 1005.

2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Committee Roughrider Room, State Capitol

HB 1005
2/26/13
Job 19466

Conference Committee

Committee Clerk Signature

Meredith Traholt

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the state treasurer; and to amend and reenact subsection 18 of section 54-11-01 and section 54-11-13 of the North Dakota Century Code, relating to the duties and salary of the state treasurer.

Minutes:

You may make reference to "attached testimony."

Chairman Delzer: We received a clear statement from the members of the chamber on the floor today. I don't know if we want to put some study language in there again, it's been a couple of years since we had a study. Committee members, it's up to you. The bill is before us; it failed on the floor before being reconsidered.

Rep. Kempenich: The study was four years ago. This position was the only one that wasn't raised last biennium. With that said, it's in front of us now. I'll move that we reconsider it.
Rep. Thoreson seconded the motion.

Chairman Delzer: Discussion on the motion to reconsider? A voice vote was done and the motion carried. We have the reconsidered bill before us with our amendments on it.

Rep. Kempenich: It's hard to get on the floor and argue what's been going on with this. I don't think taking the money out is the exact answer either, but we could delay it until 15-17.

Chairman Delzer: I think we might be coming back down here and reconsidering it again.

Rep. Monson: I wasn't aware there had been a study two years ago.

Chairman Delzer: It was six years ago, and the raises were given four years ago.

Rep. Monson: I wonder if Rep. Kempenich's information would have made a difference on the floor.

Chairman Delzer: I don't know. It obviously went down in defeat, and the only issue seemed to be the increased wages. What are your wishes?

Rep. Streyle: I would send it back up to the floor; I think the raise is appropriate. I don't see why one is below all the rest.

Chairman Delzer: We can do that if the committee wants, but I don't know that we'd have any different result. We would have the 6th order to work with it. Let's hold this until tomorrow. We'll stand adjourned.

2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Committee Roughrider Room, State Capitol

HB 1005
2/27/13
Job 19468

Conference Committee

Committee Clerk Signature

Meredith Traubolt

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the state treasurer; and to amend and reenact subsection 18 of section 54-11-01 and section 54-11-13 of the North Dakota Century Code, relating to the duties and salary of the state treasurer.

Minutes:

You may make reference to "attached testimony."

Chairman Delzer called the committee to order and a quorum was declared. We have the reconsidered amended HB 1005 before us.

Rep. Skarphol: Obviously there was some action on the floor that causes this to be here. I know there is some consternation among the subsection that handle this bill as to whether or not they did the right thing and whether or not the full committee is going to support them. Something needs to happen here to get some resolution to this.

Chairman Delzer: I think the message was pretty plain on the floor that they did not agree with the increased wages.

Rep. Kempenich: On the salary of the state treasurer, there is somewhat of an issue there, but whether we do it this biennium or not, or even next biennium, our subsection thought it should be brought up to a level a little higher than what it is. It is a statewide run office.

Chairman Delzer: I understand that, but the floor sent this back to us.

Rep. Kempenich: I propose we make this an effective date of 2017. **Rep. Martinson** seconded.

Chairman Delzer: We have a motion to move the effective date for the \$5200 increase above the 3&3 to July 1, 2017. Further discussion on the motion?

Rep. Hawken: When we were talking about this in subsection, we thought this should be at the same level. It used to be at the same level, and was changed around 2000 or 2001. The job has changed. From what I could see, the difference originally was about \$1800;

now it's over \$5000. That becomes an issue. I don't recall whether it was political at the time, or not, but this has been a political office. Our intent was to make it the same.

Chairman Delzer: Further discussion? Seeing none, a voice vote on the amendment was done and the motion carried. We have the amended bill before us, what are your wishes?

Rep. Kempenich moved Do Pass as Amended on HB 1005, seconded by **Rep. Brandenburg**.

Chairman Delzer: Discussion? Seeing none, a roll call vote was done. The motion carried 15 Yes, 7 No, 0 Absent. **Rep. Guggisberg** will be the carrier on this again.

07:00

Chairman Delzer stated there were about 25 bills from the committee still to be added to the calendar, and commented on some of the bills yet to be debated on the floor. The division chairs announced their next meetings, following crossover. The meeting was adjourned.

13.8134.01001
Title.02000

Fiscal No. 1

Prepared by the Legislative Council staff for
House Appropriations - Government
Operations Division

February 20, 2013

2/12/13
LWMC
83

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1005

Page 1, line 2, after "reenact" insert "subsection 18 of section 54-11-01 and"

Page 1, line 2, after the second "the" insert "duties and"

Page 1, replace lines 12 through 15 with:

"Salaries and wages	\$1,054,524	\$334,042	\$1,388,566
Accrued leave payments	0	13,038	13,038
Operating expenses	163,066	337,110	500,176
Coal severance payments	<u>252,800</u>	<u>0</u>	<u>252,800</u>
Total general fund	\$1,470,390	\$684,190	\$2,154,580"

Page 1, replace line 22 with:

"IT development costs	\$266,588	\$364,820"
-----------------------	-----------	------------

Page 2, replace line 2 with:

"Total general fund	\$48,266,588	\$364,820"
---------------------	--------------	------------

Page 2, after line 6, insert:

"SECTION 3. AMENDMENT. Subsection 18 of section 54-11-01 of the North Dakota Century Code is amended and reenacted as follows:

18. Shall correct any underpayment, overpayment, or erroneous payment of tax distribution funds, resulting from an error made by the state treasurer in a timely manner. Unless otherwise provided by law, adjustments may be made from the general fund. This authority is limited to one hundred dollars per biennium, unless approved by the emergency commission. An adjustment of an insignificant amount need not be made at the discretion of the state treasurer. The state treasurer shall adopt a written policy identifying what is considered insignificant."

Page 2, line 10, replace "ninety-one" with "ninety-five"

Page 2, line 10, replace "four" with "eight"

Page 2, line 11 replace "six" with "sixty-three"

Page 2, line 11, replace "ninety-five" with "ninety-eight"

Page 2, line 12, replace "sixty-two" with "seven hundred thirty-nine"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1005 - State Treasurer - House Action



	Executive Budget	House Changes	House Version
Salaries and wages	\$1,317,913	\$70,653	\$1,388,566
Operating expenses	326,872	173,304	500,176
Coal severance payments	252,800		252,800
Accrued leave payments		13,038	13,038
Total all funds	\$1,897,585	\$256,995	\$2,154,580
Less estimated income	0	0	0
General fund	\$1,897,585	\$256,995	\$2,154,580
FTE	8.00	0.00	8.00

Department No. 120 - State Treasurer - Detail of House Changes

	Corrects Executive Compensation Package ¹	Adjusts State Employee Compensation and Benefits Package ²	Provides Separate Line Item for Accrued Leave Payments ³	Increases State Treasurer's Salary ⁴	Reclassifies New Position ⁵	Adds Funding for Temporary Salaries ⁵
Salaries and wages	\$12,875	(\$40,066)	(\$13,038)	\$12,882	\$38,000	\$60,000
Operating expenses						
Coal severance payments						
Accrued leave payments			13,038			
Total all funds	\$12,875	(\$40,066)	\$0	\$12,882	\$38,000	\$60,000
Less estimated income	0	0	0	0	0	0
General fund	\$12,875	(\$40,066)	\$0	\$12,882	\$38,000	\$60,000
FTE	0.00	0.00	0.00	0.00	0.00	0.00

	Information Technology Development Costs ⁷	Total House Changes
Salaries and wages		\$70,653
Operating expenses	173,304	173,304
Coal severance payments		
Accrued leave payments		13,038
Total all funds	\$173,304	\$256,995
Less estimated income	0	0
General fund	\$173,304	\$256,995
FTE	0.00	0.00

¹Funding is added due to a calculation error in the executive compensation package.

²This amendment adjusts the state employee compensation and benefits package as follows:

- Reduces the performance component from 3 to 5 percent per year to 2 to 4 percent per year.
- Reduces the market component from 2 to 4 percent per year for employees below the midpoint of their salary range to up to 2 percent for employees in the first quartile of their salary range for the first year of the biennium only.
- Removes funding for additional retirement contribution increases.

³A portion of salaries and wages funding for permanent employees' compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.

⁴Funding is added to increase the State Treasurer's salary to match the State Auditor's salary.

⁵Funding is added to change the accounting budget specialist position added in the executive budget recommendation to an accounting manager position.

53
80

⁶This amendment provides additional funding for temporary salaries to provide a total of \$74,139.

⁷Funding for additional information technology development costs is added relating to changes in oil revenue distributions and other changes.

This amendment also amends Section 54-11-01(18) relating to the duties of the State Treasurer and amends Section 3 of this Act to reflect the State Treasurer's salary at the same rate as the State Auditor, reflecting a 3 percent annual salary increase.

VR
2/27/13

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1005

Page 1, line 2, remove the first "and"

Page 1, line 3, after "treasurer" insert "; and to provide legislative intent"

Page 1, replace lines 12 through 17 with:

"Salaries and wages	\$1,054,524	\$321,160	\$1,375,684
Accrued leave payments	0	13,038	13,038
Operating expenses	163,066	337,110	500,176
Coal severance payments	<u>252,800</u>	<u>0</u>	<u>252,800</u>
Total general fund	\$1,470,390	\$671,308	\$2,141,698
Full-time equivalent positions	7.00	1.00	8.00"

Page 2, line 19, replace "ninety-five" with "ninety"

Page 2, line 19, replace "eight" with "five"

Page 2, line 20, replace "sixty-three" with "twenty-seven"

Page 2, line 20, replace "ninety-eight" with "ninety-three"

Page 2, line 21, replace "seven" with "two"

Page 2, line 21, replace "thirty-nine" with "forty-three"

Page 2, after line 21, insert:

"SECTION 5. LEGISLATIVE INTENT - STATE TREASURER'S SALARY. It is the intent of the sixty-third legislative assembly that the salary of the state treasurer be increased to the salary of the next lowest-paid elected official effective July 1, 2017."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment reduces funding by \$12,882 from the general fund and changes Section 4 to reflect the State Treasurer's salary at a 3 percent annual salary increase and adds legislative intent that the State Treasurer's salary be increased to the salary of the next lowest-paid elected official effective July 1, 2017.

2013 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB1005

House Appropriations - Government Operations Division Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass as Amended

Motion Made By Representative Hawken Seconded By Representative Kempenich

Representatives	Yes	No	Representatives	Yes	No
Chairman Thoreson	x		Representative Glassheim	x	
Vice Chairman Brandenburg			Representative Guggisberg	x	
Representative Kempenich	x				
Representative Hawken	x				
Representative Sanford	x				

Total (Yes) 6 No 0

Absent 1

Floor Assignment Representative Guggisberg

If the vote is on an amendment, briefly indicate intent:

Date: 2/21/13
Roll Call Vote #: 1

2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1005

House Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number -01001

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider

Motion Made By Rep. Guggisberg Seconded By Rep. Thoreson

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer			Rep. Streytle		
Vice Chairman Kempenich			Rep. Thoreson		
Rep. Bellew			Rep. Wieland		
Rep. Brandenburg					
Rep. Dosch					
Rep. Grande			Rep. Boe		
Rep. Hawken			Rep. Glassheim		
Rep. Kreidt			Rep. Guggisberg		
Rep. Martinson			Rep. Holman		
Rep. Monson			Rep. Williams		
Rep. Nelson					
Rep. Pollert					
Rep. Sanford					
Rep. Skarphol					

Total Yes _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

Voice vote carries

Date: 2/21/13
 Roll Call Vote #: 2

**2013 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1005**

House Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider

Motion Made By Rep. Guggisberg Seconded By Rep. Brandenburg

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer		X	Rep. Streyle	X	
Vice Chairman Kempenich	X		Rep. Thoreson	X	
Rep. Bellew		X	Rep. Wieland	X	
Rep. Brandenburg	X				
Rep. Dosch	X				
Rep. Grande	X		Rep. Boe		X
Rep. Hawken	X		Rep. Glassheim	X	
Rep. Kreidt	X		Rep. Guggisberg	X	
Rep. Martinson	X		Rep. Holman		X
Rep. Monson	X		Rep. Williams	X	
Rep. Nelson	X				
Rep. Pollert	X				
Rep. Sanford					
Rep. Skarphol	X				

Total Yes 17 No 4

Absent 1

Floor Assignment Rep. Guggisberg

If the vote is on an amendment, briefly indicate intent:

Date: 2/26/13
 Roll Call Vote #: 1

**2013 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1005**

House Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider

Motion Made By Rep. Kempenich Seconded By Rep. Thoreson

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer			Rep. Streyle		
Vice Chairman Kempenich			Rep. Thoreson		
Rep. Bellew			Rep. Wieland		
Rep. Brandenburg					
Rep. Dosch					
Rep. Grande			Rep. Boe		
Rep. Hawken			Rep. Glassheim		
Rep. Kreidt			Rep. Guggisberg		
Rep. Martinson			Rep. Holman		
Rep. Monson			Rep. Williams		
Rep. Nelson					
Rep. Pollert					
Rep. Sanford					
Rep. Skarphol					

Total Yes _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

voice vote carries

Date: 2/27/13
Roll Call Vote #: 1

2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1005

House Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider

Motion Made By Rep. Kempenich Seconded By Rep. Martinson

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer			Rep. Streyle		
Vice Chairman Kempenich			Rep. Thoreson		
Rep. Bellew			Rep. Wieland		
Rep. Brandenburg					
Rep. Dosch					
Rep. Grande			Rep. Boe		
Rep. Hawken			Rep. Glassheim		
Rep. Kreidt			Rep. Guggisberg		
Rep. Martinson			Rep. Holman		
Rep. Monson			Rep. Williams		
Rep. Nelson					
Rep. Pollert					
Rep. Sanford					
Rep. Skarphol					

Total Yes _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

move effective date of \$5200 increase to July 1, 2017

voice vote carries

Date: 2/27/13
 Roll Call Vote #: 2

**2013 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1005**

House Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider

Motion Made By Rep. Kempenich Seconded By Rep. Brandenburg

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer		X	Rep. Streyle		X
Vice Chairman Kempenich	X		Rep. Thoreson	X	
Rep. Bellew		X	Rep. Wieland		X
Rep. Brandenburg	X				
Rep. Dosch	X				
Rep. Grande		X	Rep. Boe		X
Rep. Hawken	X		Rep. Glassheim	X	
Rep. Kreidt	X		Rep. Guggisberg	X	
Rep. Martinson	X		Rep. Holman		X
Rep. Monson	X		Rep. Williams	X	
Rep. Nelson	X				
Rep. Pollert	X				
Rep. Sanford	X				
Rep. Skarphol	X				

Total Yes 15 No 7

Absent 0

Floor Assignment Rep. Guggisberg

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1005: Appropriations Committee (Rep. Delzer, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (17 YEAS, 4 NAYS, 1 ABSENT AND NOT VOTING). HB 1005 was placed on the Sixth order on the calendar.

Page 1, line 2, after "reenact" insert "subsection 18 of section 54-11-01 and"

Page 1, line 2, after the second "the" insert "duties and"

Page 1, replace lines 12 through 15 with:

"Salaries and wages	\$1,054,524	\$334,042	\$1,388,566
Accrued leave payments	0	13,038	13,038
Operating expenses	163,066	337,110	500,176
Coal severance payments	<u>252,800</u>	<u>0</u>	<u>252,800</u>
Total general fund	\$1,470,390	\$684,190	\$2,154,580"

Page 1, replace line 22 with:

"IT development costs \$266,588 \$364,820"

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"Total general fund \$48,266,588 \$364,820"

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Page 2, line 11, replace "ninety-five" with "ninety-eight"

Page 2, line 12, replace "sixty-two" with "seven hundred thirty-nine"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1005 - State Treasurer - House Action

	Executive Budget	House Changes	House Version
Salaries and wages	\$1,317,913	\$70,653	\$1,388,566
Operating expenses	326,872	173,304	500,176

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General fund	\$1,897,585	\$256,995	\$2,154,580
FTE	8.00	0.00	8.00

Department No. 120 - State Treasurer - Detail of House Changes

	Corrects Executive Compensation Package ¹	Adjusts State Employee Compensation and Benefits Package ²	Provides Separate Line Item for Accrued Leave Payments ³	Increases State Treasurer's Salary ⁴	Reclassifies New Position ⁵	Adds Funding for Temporary Salaries ⁶
Salaries and wages	\$12,875	(\$40,066)	(\$13,038)	\$12,882	\$38,000	\$60,000
Operating expenses						
Coal severance payments						
Accrued leave payments			13,038			
Total all funds	\$12,875	(\$40,066)	\$0	\$12,882	\$38,000	\$60,000
Less estimated income	0	0	0	0	0	0
General fund	\$12,875	(\$40,066)	\$0	\$12,882	\$38,000	\$60,000
FTE	0.00	0.00	0.00	0.00	0.00	0.00

	Information Technology Development Costs ⁷	Total House Changes
Salaries and wages		\$70,653
Operating expenses	173,304	173,304
Coal severance payments		
Accrued leave payments		13,038
Total all funds	\$173,304	\$256,995
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General fund	\$173,304	\$256,995
FTE	0.00	0.00

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²This amendment adjusts the state employee compensation and benefits package as follows:

- Reduces the performance component from 3 to 5 percent per year to 2 to 4 percent per year.
- Reduces the market component from 2 to 4 percent per year for employees below the midpoint of their salary range to up to 2 percent for employees in the first quartile of their salary range for the first year of the biennium only.
- Removes funding for additional retirement contribution increases.

³A portion of salaries and wages funding for permanent employees' compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.

⁴Funding is added to increase the State Treasurer's salary to match the State Auditor's salary.

⁵Funding is added to change the accounting budget specialist position added in the executive budget recommendation to an accounting manager position.

⁶This amendment provides additional funding for temporary salaries to provide a total of \$74,139.

⁷Funding for additional information technology development costs is added relating to changes in oil revenue distributions and other changes.

This amendment also amends Section 54-11-01(18) relating to the duties of the State Treasurer and amends Section 3 of this Act to reflect the State Treasurer's salary at the same rate as the State Auditor, reflecting a 3 percent annual salary increase.

REPORT OF STANDING COMMITTEE

HB 1005, as engrossed: Appropriations Committee (Rep. Delzer, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (15 YEAS, 7 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1005 was placed on the Sixth order on the calendar.

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Page 1, replace lines 12 through 17 with:

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Total general fund	\$1,470,390	\$671,308	\$2,141,698
Full-time equivalent positions	7.00	1.00	8.00"

Page 2, line 19, replace "ninety-five" with "ninety"

Page 2, line 19, replace "eight" with "five"

Page 2, line 20, replace "sixty-three" with "twenty-seven"

Page 2, line 20, replace "ninety-eight" with "ninety-three"

Page 2, line 21, replace "seven" with "two"

Page 2, line 21, replace "thirty-nine" with "forty-three"

Page 2, after line 21, insert:

"SECTION 5. LEGISLATIVE INTENT - STATE TREASURER'S SALARY. It is the intent of the sixty-third legislative assembly that the salary of the state treasurer be increased to the salary of the next lowest-paid elected official effective July 1, 2017."

Re-number accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment reduces funding by \$12,882 from the general fund and changes Section 4 to reflect the State Treasurer's salary at a 3 percent annual salary increase and adds legislative intent that the State Treasurer's salary be increased to the salary of the next lowest-paid elected official effective July 1, 2017.

2013 SENATE APPROPRIATIONS

HB 1005

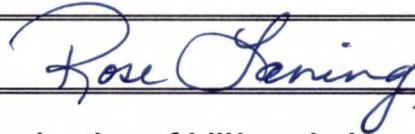
2013 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee Harvest Room, State Capitol

HB 1005
March 8, 2013
Job # 19607

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the state treasurer.

Minutes:

Testimony attached # 1

Chairman Holmberg opened the hearing on HB 1005. Roll call was taken. All committee members were present.

Kelly Schmidt, State Treasurer:

Testimony attached # 1 - Department Overview and Budget

Kelly Schmidt gave each senator a video game, either Financial Soccer or Financial Football, which was funded through a partnership with Visa and not state dollars that go out to the schools to help with financial literacy. Over 1500 of the games have been passed out.

(11:30) **Senator Warner:** You addressed the educational requirements you would need for an account manager, and what is the level of expertise you are seeking to hire?

Kelly Schmidt: It would be a person with a minimum requirement of a Bachelor in Accounting. We currently have someone in our office that has a Masters in Accounting. All of our fiscal staff, with the exception of one, has a bachelor's degree in accounting.

(11:58) **Kelly Schmidt:** Returned to testimony.

(17:22) **Senator Carlisle:** Looking at the account manager, is it your intention for you and your deputy to get somewhat cross-trained by this new person to help out with the physical staff? Do you cross train to help out small agencies?

Kelly Schmidt: To date, the deputy is trained to step in and process checks if need be. The role of deputy has been very much turned to policy because of the complexity of what we do and the continued complexity of the distributions that we do. It has become more and more apparent to us that the wording and working with the laws that you are writing completely affect our ability to do and to accomplish what you want us to in the correct

manor. I believe that it is because of that policy piece that has been brought into the treasurer's office that we have finally been able to come to a place where we are not having audit findings.

Senator Gary Lee: You mentioned 2176 - When does that \$100 million distribution go out?

Kelly Schmidt: That went out right before crossover. Your counties should have received the dollars in time for you to take credit for it when you got home.

Senator Gary Lee: What about the error that you found, was that correction taken care of at the same time?

Kelly Schmidt: We visited with the Attorney General's office and we distributed those dollars based on the laws that were on the books to date. We cannot distribute dollars based on something that could pass, so we based that distribution on what we knew the passage of 2176. Instead of counties getting \$15,000 we handed out \$14,700 because we did not have enough for every township. The additional error reported by Morton County was corrected in the distribution formula that went through. When we prepare to certify townships with counties of non-oil producing counties, we found that Morton County had under reported their township numbers to us in the prior distribution that went out and because of the current law and the way that it is written, we had to use the next distribution to correct the past one.

Senator Warner: How much additional money would be needed to hire an employee with a master's for the account manager position?

Kelly Schmidt: Maybe an additional \$20,000 to \$25,000.

Senator Wanzek: You paired back the \$15,000 grants to the townships, and now if 2012 passes, I understand we put the additional money in there for the Morton County error, now will all those townships be made whole or will there be another distribution? Isn't it expensive to have to re-do it again?

Kelly Schmidt: We won't do that as a separate distribution; we will marry it up with another distribution and recognized to the counties that this additional funding is coming from 2176.

Chairman Holmberg closed the hearing on HB 1005.

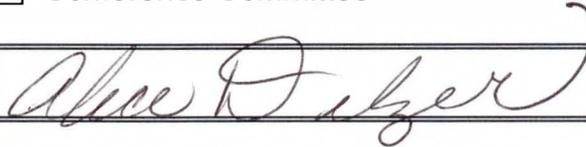
2013 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee
Harvest Room, State Capitol

HB 1005
03-18-2013
Job # 20087

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for the State Treasurer (Do Pass as Amended)

Minutes:

You may make reference to "attached testimony."

Chairman Holmberg called the committee to order on Monday, March 18, 2013 in regards to HB 1005. Sheila M. Sandness, Legislative Council and Joe Morrissette, OMB were present.

Chairman Holmberg explained the amendment # 13.8134.03001, Attachment # 1 stating that the only change is the executive pay package and the emergency clause.

Senator Robinson moved the amendment. 2nd by **Senator Erbele**. All in favor say aye, it carried.

Senator Robinson Moved Do Pass as Amended. 2nd by **Senator Carlisle**.

A Roll Call vote was taken. Yea: 13; Nay: 0; Absent: 0. Senator Robinson will carry the bill.

The hearing was closed on HB 1005

JS
 3/18/13
 1 of 2

PROPOSED AMENDMENTS TO REENGROSSED HOUSE BILL NO. 1005

Page 1, line 3, remove the second "and"

Page 1, line 4, after "intent" insert "; and to declare an emergency"

Page 1, replace lines 13 through 17 with:

"Salaries and wages	\$1,054,524	\$374,264	\$1,428,788
Operating expenses	163,066	337,110	500,176
Coal severance payments	<u>252,800</u>	<u>0</u>	<u>252,800</u>
Total general fund	\$1,470,390	\$711,374	\$2,181,764"

Page 2, line 20, replace "ninety" with "ninety-one"

Page 2, line 20, replace "five" with "four"

Page 2, line 21, replace "twenty-seven" with "six"

Page 2, line 21, replace "ninety-three" with "ninety-five"

Page 2, line 22, replace "two hundred forty-three" with "sixty-two"

Page 2, after line 25, insert:

"SECTION 6. EMERGENCY. The sum of \$195,223 and one full-time equivalent position included in section 1 of this Act are declared to be an emergency measure."

Re-number accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1005 - State Treasurer - Senate Action

	Executive Budget	House Version	Senate Changes	Senate Version
Salaries and wages	\$1,317,913	\$1,375,684	\$53,104	\$1,428,788
Operating expenses	326,872	500,176		500,176
Coal severance payments	252,800	252,800		252,800
Accrued leave payments		13,038	(13,038)	
Total all funds	\$1,897,585	\$2,141,698	\$40,066	\$2,181,764
Less estimated income	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
General fund	\$1,897,585	\$2,141,698	\$40,066	\$2,181,764
FTE	8.00	8.00	0.00	8.00

Department No. 120 - State Treasurer - Detail of Senate Changes

	Restores Executive Compensation Package ¹	Removes Separate Line Item for Accrued Leave Payments ²	Total Senate Changes
Salaries and wages	\$40,066	\$13,038	\$53,104
Operating expenses			
Coal severance payments			
Accrued leave payments		(13,038)	(13,038)
	<u>\$40,066</u>	<u>\$0</u>	<u>\$40,066</u>

2 of 2

Total all funds			
Less estimated income	0	0	0
General fund	\$40,066	\$0	\$40,066
FTE	0.00	0.00	0.00

¹Funding reductions made by the House to the state employee compensation and benefits package are restored to the Governor's recommended level.

²The accrued leave payments line item added by the House is removed and the associated funding returned to line items with salaries and wages funding.

Section 4 of the bill is changed to provide 4 percent annual salary increases for the State Treasurer, the same as the executive budget. The House provided 3 percent annual increases.

A section is added to declare an emergency for the new account manager FTE position to allow the position to be filled prior to July 1, 2013.

Date: 3-18-13

Roll Call Vote # 1

2013 SENATE STANDING COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. 1005

Senate Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number 13.8134.03001

Action Taken Adopt Amendment Do Pass
 Do Pass as Amended Do Not Pass

Motion Made By Robinson Seconded By Erbele

Senators	Yes	No	Senator	Yes	No
Chairman Ray Holmberg			Senator Tim Mathern		
Co-Vice Chairman Bill Bowman			Senator David O'Connell		
Co-Vice Chair Tony Grindberg			Senator Larry Robinson		
Senator Ralph Kilzer			Senator John Warner		
Senator Karen Krebsbach					
Senator Robert Erbele					
Senator Terry Wanzek					
Senator Ron Carlisle					
Senator Gary Lee					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

voice vote passed

Date: 3-18-13

Roll Call Vote # 2

**2013 SENATE STANDING COMMITTEE
ROLL CALL VOTES**

BILL/RESOLUTION NO. 1005

Senate Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Adopt Amendment Do Pass
 Do Pass as Amended Do Not Pass

Motion Made By Robinson Seconded By Carlisle

Senators	Yes	No	Senator	Yes	No
Chairman Ray Holmberg	✓		Senator Tim Mathern	✓	
Co-Vice Chairman Bill Bowman	✓		Senator David O'Connell	✓	
Co-Vice Chair Tony Grindberg	✓		Senator Larry Robinson	✓	
Senator Ralph Kilzer	✓		Senator John Warner	✓	
Senator Karen Krebsbach	✓				
Senator Robert Erbele	✓				
Senator Terry Wanzek	✓				
Senator Ron Carlisle	✓				
Senator Gary Lee	✓				

Total (Yes) 13 No 0

Absent 0

Floor Assignment Robinson

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1005, as reengrossed: Appropriations Committee (Sen. Holmberg, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (13 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Reengrossed HB 1005 was placed on the Sixth order on the calendar.

Page 1, line 3, remove the second "and"

Page 1, line 4, after "intent" insert "; and to declare an emergency"

Page 1, replace lines 13 through 17 with:

"Salaries and wages	\$1,054,524	\$374,264	\$1,428,788
Operating expenses	163,066	337,110	500,176
Coal severance payments	<u>252,800</u>	<u>0</u>	<u>252,800</u>
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"SECTION 6. EMERGENCY. The sum of \$195,223 and one full-time equivalent position included in section 1 of this Act are declared to be an emergency measure."

Re-number accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1005 - State Treasurer - Senate Action

	Executive Budget	House Version	Senate Changes	Senate Version
Salaries and wages	\$1,317,913	\$1,375,684	\$53,104	\$1,428,788
Operating expenses	326,872	500,176		500,176
Coal severance payments	252,800	252,800		252,800
Accrued leave payments		13,038	(13,038)	
Total all funds	\$1,897,585	\$2,141,698	\$40,066	\$2,181,764
Less estimated income	0	0	0	0
General fund	\$1,897,585	\$2,141,698	\$40,066	\$2,181,764
FTE	8.00	8.00	0.00	8.00

Department No. 120 - State Treasurer - Detail of Senate Changes

	Restores Executive Compensation Package ¹	Removes Separate Line Item for Accrued Leave Payments ²	Total Senate Changes
Salaries and wages	\$40,066	\$13,038	\$53,104
Operating expenses			
Coal severance payments			
Accrued leave payments		(13,038)	(13,038)
Total all funds	\$40,066	\$0	\$40,066
Less estimated income	0	0	0

General fund	40,066	\$0	\$40,066
FTE	0.00	0.00	0.00

¹Funding reductions made by the House to the state employee compensation and benefits package are restored to the Governor's recommended level.

²The accrued leave payments line item added by the House is removed and the associated funding returned to line items with salaries and wages funding.

Section 4 of the bill is changed to provide 4 percent annual salary increases for the State Treasurer, the same as the executive budget. The House provided 3 percent annual increases.

A section is added to declare an emergency for the new account manager FTE position to allow the position to be filled prior to July 1, 2013.

2013 CONFERENCE COMMITTEE

HB 1005

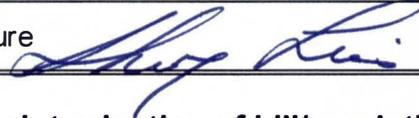
2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Government Operations Division
Medora Room, State Capitol

HB1005
April 19, 2013
Recording Job# 21296

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the state treasurer; and to amend and reenact section 54-11-13 of the North Dakota Century Code, relating to the salary of the state treasurer.

Minutes:

Chairman Brandenburg: Opened the conference committee on HB1005.

Senator Carlisle: Section 7 on page 3 must have been something that the House did. Was that House action? If so, I'm curious as to why and then how much money are we talking about in 2017?

Chairman Brandenburg: Section 7 is legislative intent to look at the state treasurer's salary. I think you know the history of this. There's a feeling in the House that this needs to be addressed.

Senator Carlisle: How much money are we talking about in the salary boost? The only other thing would be the compensation package. We made one amendment that was a correction.

Chairman Brandenburg: Was the \$30,000.00 dealing with IT upgrades?

Senator Carlisle: It was a correction of \$30,000.00.

Becky Keller, Fiscal Analyst, ND Legislative Council: It was \$13,000.00 correction for additional IT costs.

Chairman Brandenburg: So it was \$13,000.00 and not \$30,000.00.

Senator Carlisle: Correct.

Chairman Brandenburg: To get the treasurer up to the lowest other paid state employee, I think it was \$4,500.00 to \$5,000.00 a year. I think that would bring it up to the lowest other state official.

Senator Carlisle: That would be the next election cycle?

Chairman Brandenburg: That's correct.

Lori Laschkewitsch: That is correct.

Chairman Brandenburg: We'll have to get together again.

Chairman Brandenburg: Closed the conference committee.

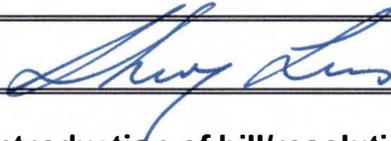
2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Government Operations Division
Medora Room, State Capitol

HB1005
April 23, 2013
Recording Job# 21442

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the state treasurer; and to amend and reenact section 54-11-13 of the North Dakota Century Code, relating to the salary of the state treasurer.

Minutes:

Chairman Brandenburg: Opened the conference committee on HB1005. All members were present.

Senator Bowman: I think we agreed on the new salary package coming up and we agreed on the language you had for the pay raise in the next biennium. Those were the only issues in the budget?

Senator Robinson: Made a motion to recede and further amend to add the compensation package.

Representative Sanford: Seconded the motion.

Becky Keller, Fiscal Analyst, ND Legislative: Just to clarify, the Senate did also add funding for information technology. If you recede and you don't bring it up, then we don't put it in.

Chairman Brandenburg: The motion would also include the \$12,000.00.

Becky Keller: You would also need to include the emergency measure for the new accounting manager and then we were going to amend the section relating to the tribal agreement just for cleanup.

Senator Carlisle: It was an emergency clause on the new hire plus a little something with the tribal agreement.

Becky Keller: Went through the requested amendments.

Roll call vote 6 Yeas 0 Nays 0 Absent.



Chairman Brandenburg: Closed the conference committee.



PROPOSED AMENDMENTS TO REENGROSSED HOUSE BILL NO. 1005

That the Senate recede from its amendments as printed on pages 1043-1045 of the House Journal and pages 782-784 and pages 844 and 845 of the Senate Journal and that Reengrossed House Bill No. 1005 be amended as follows:

Page 1, line 2, replace the second "and" with a comma

Page 1, line 2, after "54-11-13" insert ", and subsection 5 of section 57-51.2-02"

Page 1, line 3, after "treasurer" insert "and a tribal oil and gas agreement"

Page 1, line 3, remove the second "and"

Page 1, line 4, after "intent" insert "; and to declare an emergency"

Page 1, replace lines 13 through 18 with:

"Salaries and wages	\$1,054,524	\$341,913	\$1,396,437
Accrued leave payments	0	13,038	13,038
Operating expenses	163,066	349,881	512,947
Coal severance payments	<u>252,800</u>	<u>0</u>	<u>252,800</u>
Total general fund	\$1,470,390	\$704,832	\$2,175,222
Full-time equivalent positions	7.00	1.00	8.00"

Page 1, remove line 24

Page 2, replace lines 1 through 3 with:

"IT development costs	\$266,588	\$377,591
Transportation funding distributions	25,000,000	0
Transportation funding - special session	<u>23,000,000</u>	<u>0</u>
Total general fund	\$48,266,588	\$377,591"

Page 2, line 20, replace "ninety" with "ninety-one"

Page 2, line 20, replace "five" with "four"

Page 2, line 21, replace "twenty-seven" with "six"

Page 2, line 21, replace "ninety-three" with "ninety-four"

Page 2, line 22, replace "two hundred forty-three" with "one hundred forty-eighty"

Page 2, after line 22, insert:

"SECTION 5. AMENDMENT. Subsection 5 of section 57-51.2-02 of the North Dakota Century Code is amended and reenacted as follows:

5. The allocation of revenue from oil and gas gross production and oil extraction taxes on the Fort Berthold Reservation must be as follows:
 - a. Production attributable to trust lands. All revenues and exemptions from all oil and gas gross production and oil extraction taxes

attributable to production from trust lands on the Fort Berthold Reservation must be evenly divided between the tribe and the state.

- b. All other production. The tribe must receive twenty percent of the total oil and gas gross production taxes collected from all production attributable to nontrust lands on the Fort Berthold Reservation in lieu of the application of the Three Affiliated Tribes' fees and taxes related to production on such lands. The state must receive the remainder.
- c. The state's share of the oil and gas gross production tax revenue as divided in subdivisions a and b is subject to distribution among political subdivisions as provided in chapters chapter 57-51 and 57-51.4."

Page 2, after line 25, insert:

"SECTION 7. EMERGENCY. The sum of \$195,223 and one full-time equivalent position included in section 1 of this Act are declared to be an emergency measure."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1005 - State Treasurer - Conference Committee Action

	Executive Budget	House Version	Conference Committee Changes	Conference Committee Version	Senate Version	Comparison to Senate
Salaries and wages	\$1,317,913	\$1,375,684	\$20,753	\$1,396,437	\$1,428,788	(\$32,351)
Operating expenses	326,872	500,176	12,771	512,947	512,947	
Coal severance payments	252,800	252,800		252,800	252,800	
Accrued leave payments		13,038		13,038		13,038
Total all funds	\$1,897,585	\$2,141,698	\$33,524	\$2,175,222	\$2,194,535	(\$19,313)
Less estimated income	0	0	0	0	0	0
General fund	\$1,897,585	\$2,141,698	\$33,524	\$2,175,222	\$2,194,535	(\$19,313)
FTE	8.00	8.00	0.00	8.00	8.00	0.00

Department No. 120 - State Treasurer - Detail of Conference Committee Changes

	Removes House Changes to Executive Compensation Package ¹	Adjusts State Employee Compensation and Benefits Package ²	Adds Funding for Information Technology Expenses ³	Total Conference Committee Changes
Salaries and wages	\$40,066	(\$19,313)		\$20,753
Operating expenses			12,771	12,771
Coal severance payments				
Accrued leave payments				
Total all funds	\$40,066	(\$19,313)	\$12,771	\$33,524
Less estimated income	0	0	0	0
General fund	\$40,066	(\$19,313)	\$12,771	\$33,524
FTE	0.00	0.00	0.00	0.00

¹ Funding reductions made by the House to the state employee compensation and benefits package are restored to the Governor's recommended level.

- ² This amendment adjusts the state employee compensation and benefits package as follows:
- Reduces the performance component from 3 to 5 percent per year to 3 to 5 percent for the first year of the biennium and 2 to 4 percent for the second year of the biennium.
 - Reduces the market component from 2 to 4 percent per year to 1 to 2 percent per year for employees below the midpoint of their salary range.
 - Reduces funding for retirement contribution increases to provide for a 1 percent state and 1 percent employee increase beginning in January 2014 and no increase in January 2015.

³ Funding is added to defray information technology expenses relating to changes in oil revenue distributions and other changes, the same as the Senate.

Section 4 of the bill is changed to provide a 4 percent annual salary increase for the first year and a 3 percent annual salary increase for the second year for the State Treasurer. The House provided 3 percent annual increases, and the Senate provided 4 percent annual increases, the same as the executive budget.

A section is added to declare an emergency for the new accounting manager FTE position to allow the position to be filled prior to July 1, 2013, the same as the Senate.

A section is added to amend subsection 5 of Section 57-51.2-02 relating to the tribal agreement for oil and gas tax revenues, the same as the Senate.

REPORT OF CONFERENCE COMMITTEE

HB 1005, as reengrossed: Your conference committee (Sens. Carlisle, Bowman, Robinson and Reps. Brandenburg, Sanford, Guggisberg) recommends that the **SENATE RECEDE** from the Senate amendments as printed on HJ pages 1043-1045, adopt amendments as follows, and place HB 1005 on the Seventh order:

That the Senate recede from its amendments as printed on pages 1043-1045 of the House Journal and pages 782-784 and pages 844 and 845 of the Senate Journal and that Reengrossed House Bill No. 1005 be amended as follows:

Page 1, line 2, replace the second "and" with a comma

Page 1, line 2, after "54-11-13" insert ", and subsection 5 of section 57-51.2-02"

Page 1, line 3, after "treasurer" insert "and a tribal oil and gas agreement"

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Page 2, line 22, replace "two hundred forty-three" with "one hundred forty-eighty"

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House Bill No. 1005 - State Treasurer - Conference Committee Action

	Executive Budget	House Version	Conference Committee Changes	Conference Committee Version	Senate Version	Comparison to Senate
Salaries and wages	\$1,317,913	\$1,375,684	\$20,753	\$1,396,437	\$1,428,788	(\$32,351)
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Total all funds	\$1,897,585	\$2,141,698	\$33,524	\$2,175,222	\$2,194,535	(\$19,313)
Less estimated income	0	0	0	0	0	0
General fund	\$1,897,585	\$2,141,698	\$33,524	\$2,175,222	\$2,194,535	(\$19,313)
FTE	8.00	8.00	0.00	8.00	8.00	0.00

Department No. 120 - State Treasurer - Detail of Conference Committee Changes

	Removes House Changes to Executive Compensation Package ¹	Adjusts State Employee Compensation and Benefits Package ²	Adds Funding for Information Technology Expenses ³	Total Conference Committee Changes
Salaries and wages	\$40,066	(\$19,313)		\$20,753
Operating expenses			12,771	12,771
Coal severance payments				
Accrued leave payments				
Total all funds	\$40,066	(\$19,313)	\$12,771	\$33,524
Less estimated income	0	0	0	0
General fund	\$40,066	(\$19,313)	\$12,771	\$33,524
FTE	0.00	0.00	0.00	0.00

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A section is added to amend subsection 5 of Section 57-51.2-02 relating to the tribal agreement for oil and gas tax revenues, the same as the Senate.

Reengrossed HB 1005 was placed on the Seventh order of business on the calendar.

2013 TESTIMONY

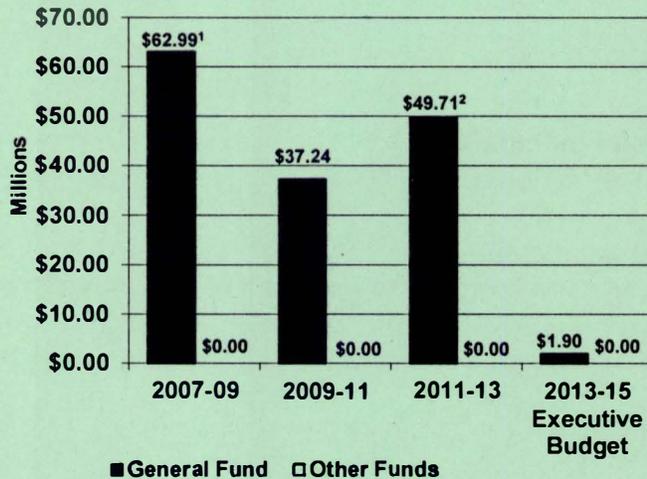
HB 1005

**Department 120 - State Treasurer
 House Bill No. 1005**

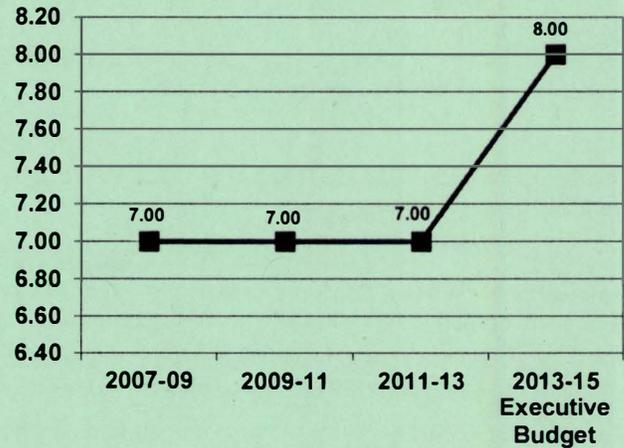
	FTE Positions	General Fund	Other Funds	Total
2013-15 Executive Budget	8.00	\$1,897,585	\$0	\$1,897,585
2011-13 Legislative Appropriations	7.00	49,705,390 ¹	0	49,705,390 ¹
Increase (Decrease)	1.00	(\$47,807,805)	\$0	(\$47,807,805)

¹The 2011-13 appropriation amounts include funding of \$48 million for transportation funding distributions to non-oil-producing counties, cities, and townships.

Agency Funding



FTE Positions



¹Includes \$59.9 million of one-time funding for the weather-related cost-sharing program.

²Includes \$48 million of one-time funding for transportation funding distributions to non-oil-producing counties, cities, and townships.

Ongoing and One-Time General Fund Appropriations

	Ongoing General Fund Appropriation	One-Time General Fund Appropriation	Total General Fund Appropriation
2013-15 Executive Budget	\$1,706,069	\$191,516	\$1,897,585
2011-13 Legislative Appropriations	1,438,802	48,266,588	49,705,390
Increase (Decrease)	\$267,267	(\$48,075,072)	(\$47,807,805)

Executive Budget Highlights

	General Fund	Other Funds	Total
1. Adds one-time funding for expansion of the tax distribution outstanding checks (TDOC) system	\$191,516		\$191,516
2. Adds funding for 1 FTE account budget specialist position	\$157,223		\$157,223
3. Removes one-time funding for information technology projects (\$266,588) and transportation funding distributions to non-oil-producing counties, cities, and townships (\$48 million)	(\$48,266,588)		(\$48,266,588)
4. Provides funding for state employee salary increases of which \$49,310 relates to performance increases and \$21,851 is for market equity adjustments	\$71,161		\$71,161

Other Sections in Bill

Salary of State Treasurer - Section 3 provides for the statutory changes necessary to increase the State Treasurer's salary as follows:

Annual salary authorized by the Legislative Assembly in 2011:

July 1, 2011	\$85,330
July 1, 2012	\$87,890

Proposed annual salary recommended in the 2013-15 executive budget:

July 1, 2013	\$91,406
July 1, 2014	\$95,062

The executive budget includes funding for elected officials' salary increases equal to 4 percent of salaries effective July 1, 2013, and 4 percent effective July 1, 2014.

Continuing Appropriations

No continuing appropriations for this agency.

Significant Audit Findings

The operational audit for the Treasurer's office conducted by the State Auditor's office during the 2011-12 interim identified no significant audit findings.

Major Related Legislation

House Bill No. 1044 - Section 2 provides an appropriation of \$384 million from the general fund to the Treasurer's office for residential property tax credits for the 2013-15 biennium.

House Bill No. 1045 - Section 6 provides an appropriation of \$200 million from the general fund to the Treasurer's office for state-paid property tax relief credits for the 2013-15 biennium.

Senate Bill No. 2012 - Section 5 provides an appropriation of \$100 million from the general fund to the Treasurer's office for additional transportation funding distributions for the 2011-13 biennium.



HB 1005
January 16, 2013
attachment 1

STATE OF NORTH DAKOTA
OFFICE OF STATE TREASURER
Kelly L. Schmidt, State Treasurer

House Bill 1005
Testimony in Support
Committee: House Appropriations
Kelly Schmidt
State Treasurer

Mr. Chairman, members of the committee:

For the record, I am Kelly Schmidt, State Treasurer. I am here to present our budget for the 2013-15 biennium for the Office of State Treasurer.

Mission

The primary mission of the Office of State Treasurer is to fulfill our constitutional and statutory responsibilities in order to assure sound financial oversight and absolute safety of all public funds collected, managed and disbursed.

DEPARTMENT OVERVIEW

We support this mission through our efforts in four functional areas:

- Accounting and Receipting
- Securities and Investments
- Financial Literacy
- Cash Management
- Tax Collections and Distribution

Accounting and Receipting:

The Office of State Treasurer is responsible for the depositing and issuing of receipts for income and expenditures for over 100 state agencies.

- We reconcile the State's accounts for the proper management and distribution of over 1.5 million accounting, human service and payroll checks to state agencies under PeopleSoft, the central accounting system.
- We continue to find efficiencies and update our processes through the use technology and through education and communication with our customers.
- Our TDOC System (Tax Distribution/Outstanding Check) enables state agencies to better manage their agency's outstanding checks. TDOC increases transparency and efficiency in the cash flow process. It also reduces the state's outstanding checks and the dollars transferred to Unclaimed Property. HB 1088 passed in the 2011 Legislative Session provides for additional efficiency by adding a reporting requirement to our duties bringing greater transparency to the process.

Securities and Investments

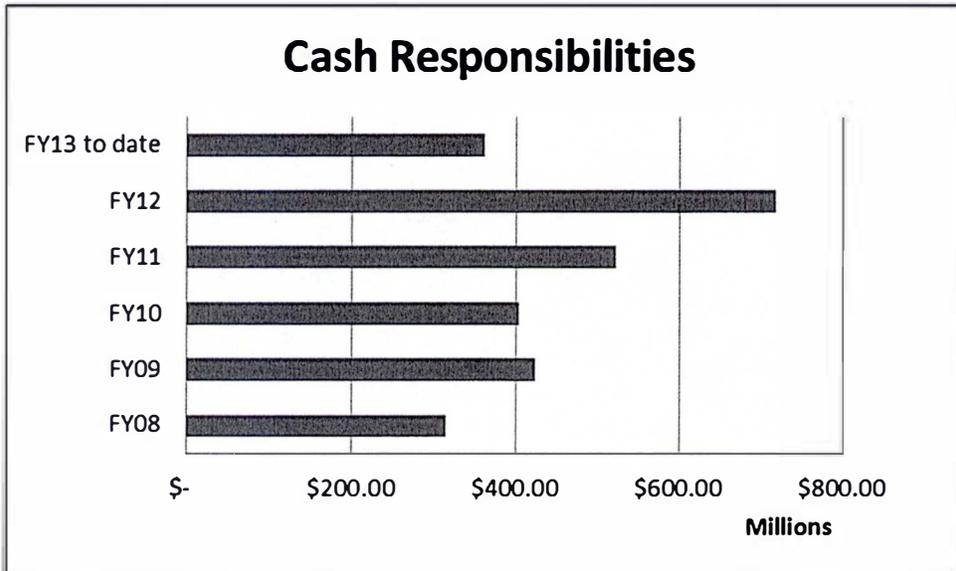
- The Treasurer serves as the custodian for all state funds and is the fiduciary of many. We provide ongoing investment services for over 25 state agencies, as well as many trust funds, including the Veterans Postwar Trust Fund, Credit Sales Contract Indemnity Fund. We currently manage over 100 individual investment accounts.
- We also provide investment services for over 10 agriculture commodity groups. The majority of these investments are made through our BidND program. Using a bid process, BidND invests dollars in financial institutions across the state.

Financial Literacy

- Partnership with VISA which provides Financial Football/Financial Soccer CD's. These are made available to Public Libraries and School across the state
- ND JumpStart Coalition Member
- National Association of State Treasurer's Foundation partnership which provides the Tomorrow's Money financial literacy addition to our agency website.
- The Treasurer has not spent any budget dollars on financial literacy efforts to date.

Cash Management

- Cash management of the State of North Dakota involves a systematic gathering of information about our state's collections, disbursements, balances and the use of that information to effectively manage funds available. Efficient cash management ensures the North Dakota's ability to cover state obligations while optimizing investment returns.
- We have maintained and strengthened the line of communication with financial officers throughout state government to address the daily cash needs and expenditures of their agencies. In this day of immediate transactions, communication is critical to our agency's ability to effectively manage cash flow.
- General Fund dollars invested in CD's at the Bank of North Dakota have increased by 248% since the end of fiscal year 2008. Other investments managed by the Treasurer's Office have increased by 236%.



- To date, the Office of State Treasurer manages 350 general fund CD's totaling \$2.8 billion. CD's are purchased and sold daily of which interest is payable monthly. The increase of dollars in the state treasury has created a dramatic effect in the daily workload of the State Treasurer's Office. (Separation of duties/Spreadsheets/verification and approval process/monthly interest allocation with approval/monthly general fund CD reconciliation averages 3 hours)

Tax Distributions

The Office of State Treasurer performs direct deposit of electronic funds for tax distributions.

- Biennium to date, we have distributed over \$1 billion to approximately 500 political subdivisions. Total funds have more than DOUBLED from FY 2008 to FY 2012.

We have written many distributions into our Tax Distribution/Outstanding Check System (TDOC) this web based system pulls data from a variety of sources, which streamlines our distributions and ensures greater accuracy and efficiency. TDOC allows us to process and reconcile reports prior to distributing funds. This form of checks and balances allows us to make any needed corrections before they affect the distribution. This was not possible with our previous system, which required ITD to manually reset the system followed by starting the distribution process again from the beginning. To add greater efficiency and aid in communicating data to interested agencies and political subdivisions, TDOC automatically sends distribution data to our agency website for public viewing once we finalize a distribution.

Collections:

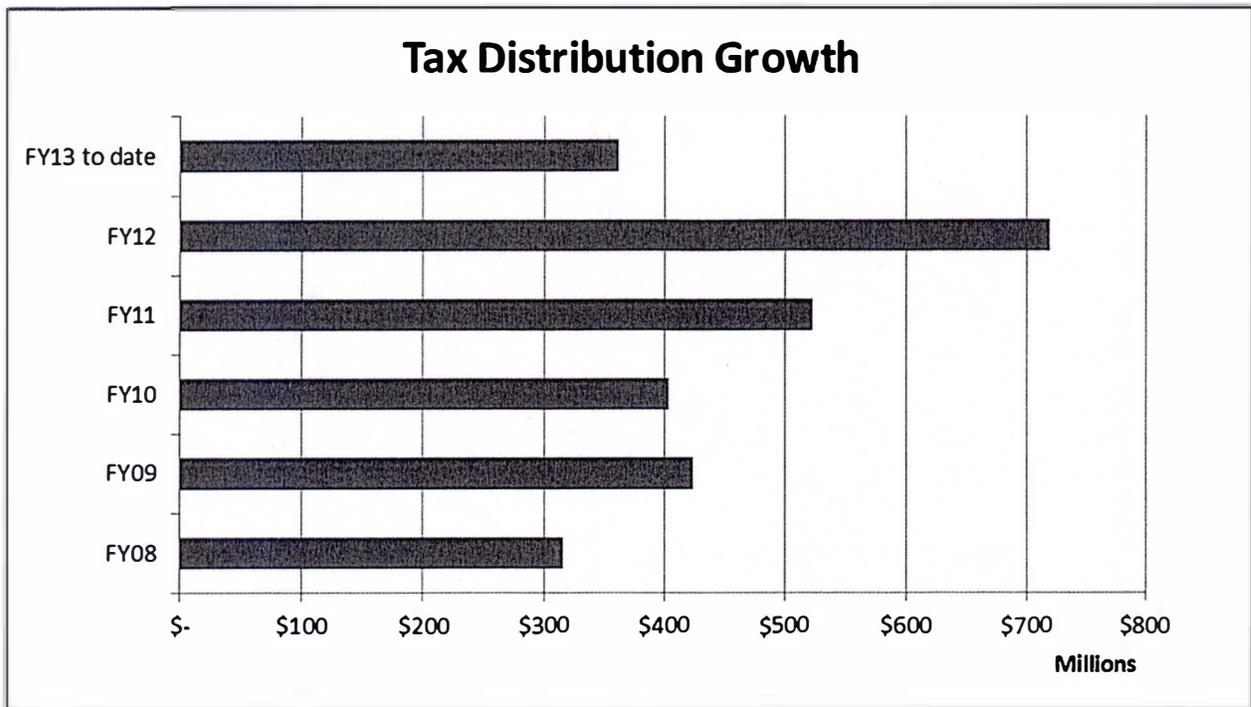
Indigent Defense Administration Fund
Domestic Violence Prevention Fund
District Court Fees

Distributions:

Airline	Co2 Pipeline	City Cigarette
City Motor Vehicle Rental	City Occupancy	City Restaurant/Lodging
City Sales Tax	Coal Conversion	Coal Conversion Shortfall
Coal Severance	Disabled Vets Homestead	Electrical Transmission
Estate Tax	Financial Institutions	Flood Control
Forest Service	Highway Tax	Homestead Tax
Mineral Management	Oil & Gas Production	Oil Extraction – Tribal
New Jobs	Senior Mill Levy	Taylor Grazing
Telecommunication	Township Road	Tribal Cigarette Tax
Tribal Highway Tax	Potash Distribution	

\$59.9 million one-time weather related distribution

\$48 million one-time non-oil producing county, city, township transportation distribution



Our distribution responsibilities have increased from 32 to 35 distributions since 2008, more importantly is the complexity of the distributions. For example, the Oil and Gas Tax distribution is extremely complex and increases each time the statutes are amended, which has been every session I have been in office. My staff then has to relearn/program the distribution as if it were new. We are also required to retain all former and current distribution formulas in order to process and “apply backs”. The necessity of the apply back is a challenge for my staff and brings capacity challenges to our computer system. (TDOC)

Accomplishments

- Coal Conversion/Coal Severance Distribution to TDOC
- No significant audit findings in our agency audit or CAFR
- Education/Outreach with political subdivisions
- Education/Outreach financial officers throughout state government to address federal drawdown/cash flow needs
- Education/Outreach relating to state funds through website/radio – this was extremely noticeable with Measure #2
- Financial Literacy partnership with VISA: Financial Football/Soccer.
- Treasurer continues to represent North Dakota across the country in the Financial Literacy arena. Presented at the National Financial Education network hosted by the US Department of the Treasury
- Treasurer Schmidt elected and served as President of the National Association of State Treasurers.
- Hosted the 2011 National Association of State Treasurer Annual Conference. A first for North Dakota.

2013-15 Budget Request

The Executive Recommendation includes the addition of 1 FTE and one time spending for technology.

Salary and Wages

Our budget request included 2 FTE's, an Account Manager and an Account/Budget Specialist II. The Executive Recommendation included funding for an Account/Budget Specialist II at \$157,223.

Our urgent and immediate need is for an Account Manager, which would require an additional \$38,000 for wages/benefits when hiring at midpoint. The Account Manager position would fill the lead accounting position in my office.

- Supervision of all fiscal staff and report directly to the Treasurer.
- Supervision of Cash Management and the development of a new cash management process.
- Supervision of all Tax Distributions/back up
- Research/Analysis as needed for legislators, the public and political subdivisions.
- Participation in overall strategic planning and development of the Office of State Treasurer.

I have abandoned the second FTE request and am instead requesting an additional \$40,000 in salary line for temporary help. This would allow flexibility for additional help when critical needs arise. EXAMPLE: We have been experiencing numerous IT issues relating to system failure and file loss. I am in discussion with ITD at the possibility of partnering with another state agency to bring in IT staff to address these needs on a temporary basis. This would also allow us to bring in additional help during critical time periods such as biennium end/ year end, additional distributions required this legislative session.

In the last year, I have had 2 staff resign for other opportunities and one long time employee retire two years earlier than originally planned. All three employees cited an increase in workload and elevated stress as the main reason for leaving. Thus, three of my four fiscal staff have been in their positions for less than a year. (Recent illness issue)

Checks and Balances are an important part of the processes in the Treasurer's Office. IE: Those processing agency checks and cash cannot be producing the deposit. This is not optional. (Cross training and workflow require a triangle approach)

Technology

One time technology costs include the addition of the following:

- Monthly State Revenue Report
- Monthly Court Collections

Additions to TDOC:

- City Sales Tax
- City Motor Vehicle
- City Occupancy Lodging
- City Restaurant and Lodging

Fiscal Notes and the Treasurer's Office

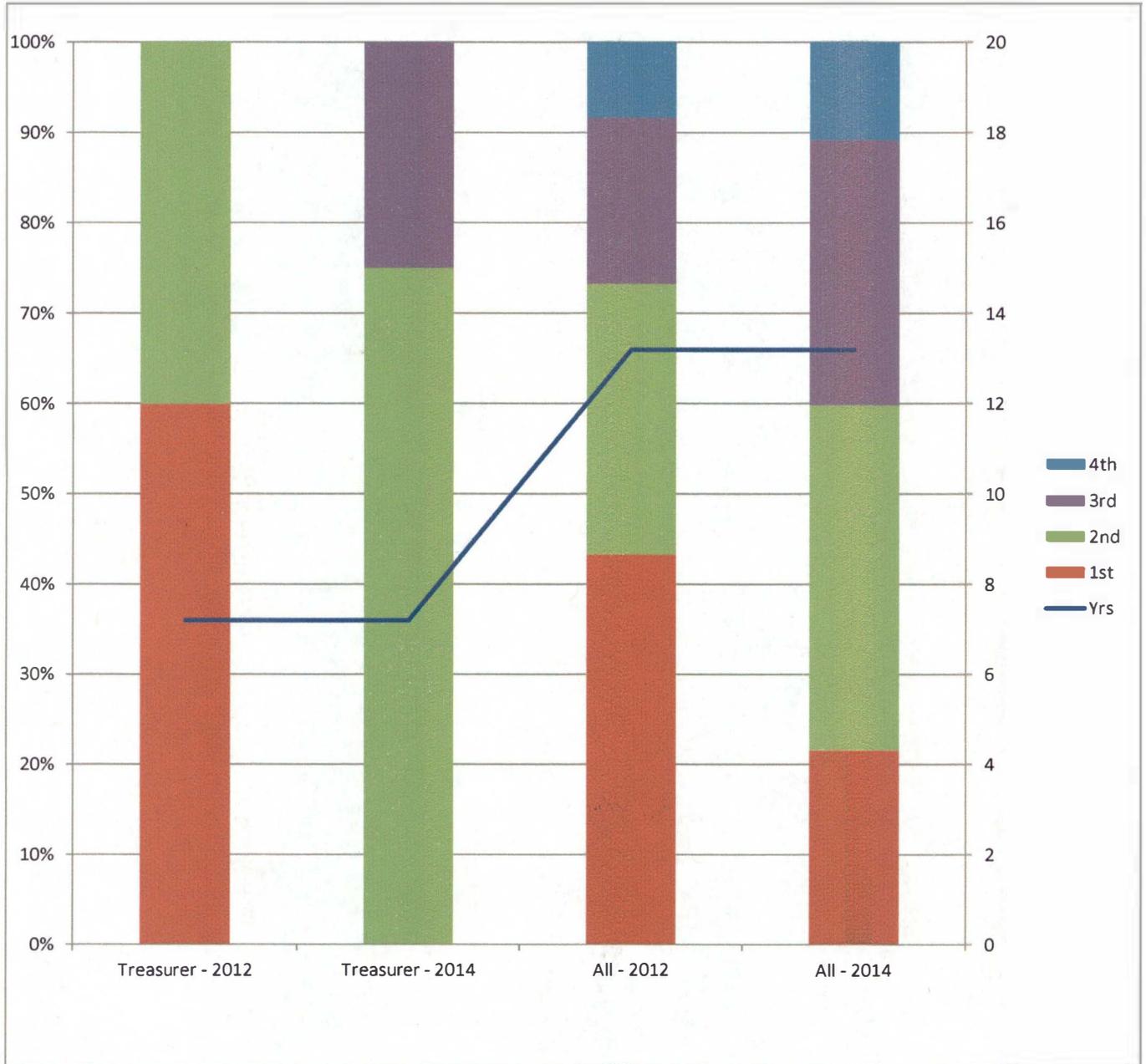
The fiscal note process is a challenging one for our office. The majority of fiscal note requests relating to tax distributions are sent to the Tax Department for revenue impact. The expenditure of the distribution change is not reported in the legislative process with the exception of a footnote included on those notes. We had the opportunity to submit only 3 fiscal notes last session. Yet there are several which will affect our system. We will continue to track and provide updates as we move through the budget process.

It is critical my office stay ahead of the technology needed to properly distribute funds. It is vital that we continue to provide timely, accurate and up to date information to ensure all funds are properly distributed by those political subdivisions which also bear the responsibility of distribution.

Mr. Chairman, this concludes my budget presentation. I am happy to answer any questions.

120 - Treasurer - 2012-14 Quartile Charts

*HB1005
January 29, 2013
Attachment 1*



HB1005 January 29, 2013 Attachment 2

EXAMPLE

		relativity to Market Policy Position *				+ Meet Standards		+ Exceed Standards		Current C/R		Projected 2013 C/R		Projected 2014 C/R																	
MPP +		0%								0.87		0.90		0.93																	
2nd Qtl		1 - 2.0%		+		3.0%		5.0%																							
1st Qtl		2 - 4.0%																													
* ALL increases contingent upon Performance Meeting Standards																															
		CURRENT							2013				2014																		
									Market Policy Position Increase		Performance Increase		Total Increase		After July 1, 2013				Market Policy Position Increase		Performance Increase		Total Increase		After July 1, 2014						
Yrs Svc	Job Title	FTE Ann Sal	Grade	Market Policy Point	FTE	C/R (Current)	2012 Qtl	%%	\$\$	%%	\$\$	%%	\$\$	2013 New Salary	New MPP (3% range increment)	2013 New C/R	2013 Qtl	%%	\$\$	%%	\$\$	%%	\$\$	%%	\$\$	2014 New Salary	New MPP (3% range increment)	2014 New C/R	2014 Qtl		
14.3	ACCOUNT TECHNICIAN II	37,906	G	37,801	1.00	1.00	3	0.0%	-	3.0%	1,137	3.0%	1,137	39,043	38,935	1.00	3	0.0%	-	5.0%	1,952	5.0%	1,952	40,995	40,103	1.02	3				
2.9	ACCOUNT/BUDGET SPEC I	40,800	J	50,985	1.00	0.80	1	4.0%	1,632	5.0%	2,040	9.0%	3,672	44,472	52,515	0.85	1	4.0%	1,779	5.0%	2,224	9.0%	4,003	48,475	54,090	0.90	2				
6.8	ACCOUNT/BUDGET SPEC I	40,800	J	50,985	1.00	0.80	1	4.0%	1,632	3.0%	1,224	7.0%	2,856	43,656	52,515	0.83	1	4.0%	1,746	3.0%	1,310	7.0%	3,056	46,712	54,090	0.86	1				
1.6	ACCOUNT/BUDGET SPEC III	52,644	L	60,564	1.00	0.87	1	4.0%	2,106	5.0%	2,632	9.0%	4,738	57,382	62,381	0.92	2	2.0%	1,148	3.0%	1,721	5.0%	2,869	60,251	64,252	0.94	2				
6.4		172,150				0.87		3.0%	5,370	4.0%	7,033	7.0%	12,403			0.90		2.5%	4,673	4.0%	7,207	6.5%	11,880			0.93					

Summary of the Cost Estimates for State Treasurer

HB 1003
February 15, 2013
Attachment 1

1. Adding school districts to TDOC administration for our current system:
 - a. The work has already been completed.
2. Change TDOC to distribute through school districts for our current system:
 - a. Blended rate of \$120 - \$60,324
3. Create a new distribution to accommodate counties under \$5M in oil production
 - a. Blended rate of \$120 - \$23,232
4. Create a new distribution to Hubs Cities and Hub City school districts
 - a. Blended rate of \$120 - \$66,924 TOTAL for HB 1358 - \$150,480
5. Cash Management
 - a. Assumption – ITD has not had sufficient time to analyze the options so we would feel uncomfortable giving an estimate with any accuracy at this time
6. FileNet
 - a. Blended rate of \$120 - \$12,744 set up and hardware
 - b. Assumptions:
 - i. This cost estimate is based on the State Treasurer using Teleform as the scanning solution.
 - ii. This cost estimate is also based on the assumption that only 1 Teleform Scan Station license and 1 Teleform Verifier license will be used by the agency.
 - iii. The State Treasurer employees will be doing the document scanning.
 - iv. This estimate does not include any back scanning of existing documents.
 - v. This cost estimate includes 1 FileNet Document Class that will be used to store documents
 - vi. This cost estimate includes 1 Teleform Template that will be used to add documents to FileNet
 - c. Included in the cost estimate are the following setup fees
 - i. Teleform Scan Station \$2,250.00 per scan station
 - ii. Teleform Verifier \$4,500.00 per verifier
 - iii. FileNet User Setup \$275.00 per user
 - Total \$7,025.00
 - d. On-going monthly costs are estimated as follows and are not included in the \$12,744 estimate amount.
 - i. Teleform Scanner \$120.00
 - ii. Teleform Verifier \$220.00
 - iii. FileNet User License \$30.00
 - iv. Disk Storage \$50.00
 - Total \$420.00/mo

HB 1005
February 15, 2013
Attachment 2

18. Shall correct any underpayment, overpayment, or erroneous payment of tax distribution funds, resulting from an error made by the state treasurer, in a timely manner. Unless otherwise provided by law, adjustments may be made from the general fund. This authority is limited to one hundred dollars per biennium, unless approved by the emergency commission. An adjustment of an insignificant amount need not be made at the discretion of the state treasurer. The state treasurer shall adopt a written policy identifying what is considered insignificant.

*#151005
February 19, 2013
Attachment 1*

Prepared by the Legislative Council staff
for Government Operations Committee
February 18, 2013

LISTING OF PROPOSED CHANGES TO HOUSE BILL NO. 1005

Treasurer's office

Proposed funding changes:

Description	FTE	General Fund	Special Funds	Total
1 Increase Treasurer's salary and benefits to match lieutenant governor's salary		\$7,261		\$7,261
2 Additional funding to change new fte position from account budget specialist to accounting manager		\$38,000		\$38,000
3 Add funding to temporary employee salary line item		\$20,000		\$20,000
4 Additional funding for IT development costs		\$173,304		\$173,304
5 Compensation correction		\$12,875		\$12,875
6 Compensation adjustment		(\$40,066)		(\$40,066)
7 Salaries and wages		(\$13,038)		(\$13,038)
Accrued leave		\$13,038		\$13,038
	<u>0.00</u>	<u>\$211,374</u>	<u>\$0</u>	<u>\$211,374</u>

Total proposed funding changes

Other proposed changes:

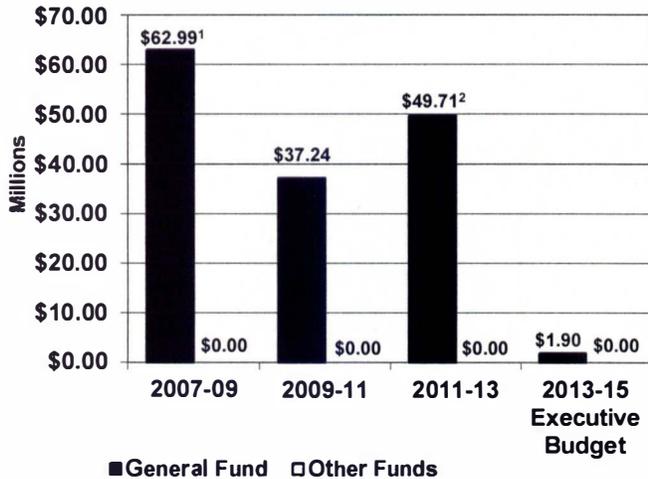
- 1 Add language to limit time period allowed to go back and adjust prior year distributions - language provided by treasurer
- 2 Change amounts in section 3 to reflect salary increase for treasurer
- 3 54-11-01 ss18 overpayments for transportation funding from 2371
- 4

**Department 120 - State Treasurer
House Bill No. 1005**

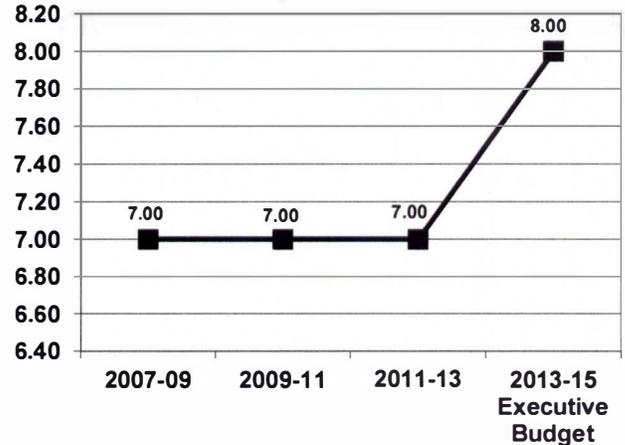
	FTE Positions	General Fund	Other Funds	Total
2013-15 Executive Budget	8.00	\$1,897,585	\$0	\$1,897,585
2011-13 Legislative Appropriations	7.00	49,705,390 ¹	0	49,705,390 ¹
Increase (Decrease)	1.00	(\$47,807,805)	\$0	(\$47,807,805)

¹The 2011-13 appropriation amounts include funding of \$48 million for transportation funding distributions to non-oil-producing counties, cities, and townships.

Agency Funding



FTE Positions



¹Includes \$59.9 million of one-time funding for the weather-related cost-sharing program.

²Includes \$48 million of one-time funding for transportation funding distributions to non-oil-producing counties, cities, and townships.

Ongoing and One-Time General Fund Appropriations

	Ongoing General Fund Appropriation	One-Time General Fund Appropriation	Total General Fund Appropriation
2013-15 Executive Budget	\$1,706,069	\$191,516	\$1,897,585
2011-13 Legislative Appropriations	1,438,802	48,266,588	49,705,390
Increase (Decrease)	\$267,267	(\$48,075,072)	(\$47,807,805)

First House Action

Attached is a summary of first house action.

**Executive Budget Highlights
(With First House Changes in Bold)**

	General Fund	Other Funds	Total
1. Adds one-time funding for expansion of the tax distribution outstanding checks (TDOC) system	\$191,516		\$191,516
2. Adds funding for 1 FTE account budget specialist position. The House added \$38,000 and changed the new FTE position to an account manager position.	\$157,223		\$157,223
3. Removes one-time funding for information technology projects (\$266,588) and transportation funding distributions to non-oil-producing counties, cities, and townships (\$48 million).	(\$48,266,588)		(\$48,266,588)

4. Provides funding for state employee salary increases of which \$49,310 relates to performance increases and \$21,851 is for market equity adjustments. **The House added \$12,875 to correct the executive compensation package and reduced funding by \$31,033 relating to performance and market equity salary increases.** \$71,161 \$71,161

Other Sections in Bill

Salary of State Treasurer - Section 3 provides for the statutory changes necessary to increase the State Treasurer's salary as follows:

Annual salary authorized by the Legislative Assembly in 2011:

July 1, 2011	\$85,330
July 1, 2012	\$87,890

Proposed annual salary recommended in the 2013-15 executive budget:

July 1, 2013	\$91,406
July 1, 2014	\$95,062

Proposed annual salary with House changes:

July 1, 2013	\$90,527
July 1, 2014	\$93,243

The executive budget includes funding for elected officials' salary increases equal to 4 percent of salaries effective July 1, 2013, and 4 percent effective July 1, 2014. **The House reduced the salary of the State Treasurer to provide for 3 percent annual salary increases.**

Legislative intent - The House added a section of legislative intent providing that the State Treasurer's salary be increased to the salary of the next lowest-paid elected official effective July 1, 2017.

Continuing Appropriations

No continuing appropriations for this agency.

Significant Audit Findings

The operational audit for the State Treasurer's office conducted by the State Auditor's office during the 2011-12 interim identified no significant audit findings.

Major Related Legislation

House Bill No. 1198 - Provides a general fund appropriation of \$147.6 million to the State Treasurer's office for state-paid property tax relief credits

House Bill No. 1358 - Provides a general fund appropriation of \$8.76 million to the State Treasurer's office for allocation to or for the benefit of townships in oil-producing counties and an appropriation of \$190 million from the strategic investment and improvements fund to the State Treasurer's office for allocation among oil-producing counties that received \$5 million or more of oil and gas tax revenue allocations

Senate Bill No. 2012 - Section 5 provides an appropriation of \$10 million from the general fund to the State Treasurer's office for transportation funding distributions for the 2013-15 biennium and an appropriation of \$415,000 from the general fund to the State Treasurer's office for transportation funding distribution corrections. The bill also provides a \$590,000 general fund appropriation to the State Treasurer's office to correct a distribution error during the 2011-13 biennium.

Senate Bill No. 2176 - Provides a general fund appropriation of \$100 million to the State Treasurer's office for transportation funding distributions to non-oil-producing counties, cities, and townships

ATTACH:1

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1005 - Funding Summary

	Executive Budget	House Changes	House Version
State Treasurer			
Salaries and wages	\$1,317,913	\$57,771	\$1,375,684
Operating expenses	326,872	173,304	500,176
Coal severance payments	252,800		252,800
Accrued leave payments		13,038	13,038
Total all funds	\$1,897,585	\$244,113	\$2,141,698
Less estimated income	0	0	0
General fund	\$1,897,585	\$244,113	\$2,141,698
FTE	8.00	0.00	8.00
Bill Total			
Total all funds	\$1,897,585	\$244,113	\$2,141,698
Less estimated income	0	0	0
General fund	\$1,897,585	\$244,113	\$2,141,698
FTE	8.00	0.00	8.00

House Bill No. 1005 - State Treasurer - House Action

	Executive Budget	House Changes	House Version
Salaries and wages	\$1,317,913	\$57,771	\$1,375,684
Operating expenses	326,872	173,304	500,176
Coal severance payments	252,800		252,800
Accrued leave payments		13,038	13,038
Total all funds	\$1,897,585	\$244,113	\$2,141,698
Less estimated income	0	0	0
General fund	\$1,897,585	\$244,113	\$2,141,698
FTE	8.00	0.00	8.00

Department 120 - State Treasurer - Detail of House Changes

	Corrects Executive Compensation Package¹	Adjusts State Employee Compensation and Benefits Package²	Provides Separate Line Item for Accrued Leave Payments³	Reclassifies New Position⁴	Adds Funding for Temporary Salaries⁵	Information Technology Development Costs⁶
Salaries and wages	12,875	(40,066)	(13,038)	38,000	60,000	
Operating expenses						173,304
Coal severance payments						
Accrued leave payments			13,038			
Total all funds	\$12,875	(\$40,066)	\$0	\$38,000	\$60,000	\$173,304
Less estimated income	0	0	0	0	0	0
General fund	\$12,875	(\$40,066)	\$0	\$38,000	\$60,000	\$173,304
FTE	0.00	0.00	0.00	0.00	0.00	0.00

	Total House Changes
Salaries and wages	57,771
Operating expenses	173,304
Coal severance payments	
Accrued leave payments	13,038
Total all funds	\$244,113
Less estimated income	0
General fund	\$244,113
FTE	0.00

¹ Funding is added due to a calculation error in the executive compensation package.

² This amendment adjusts the state employee compensation and benefits package as follows:

- Reduces the performance component from 3 to 5 percent per year to 2 to 4 percent per year.
- Reduces the market component from 2 to 4 percent per year for employees below the midpoint of their salary range to up to 2 percent for employees in the first quartile of their salary range for the first year of the biennium only.
- Removes funding for additional retirement contribution increases.

³ A portion of salaries and wages funding for permanent employees' compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.

⁴ Funding is added to change the accounting budget specialist position added in the executive budget recommendation to an accounting manager position.

⁵ This amendment provides additional funding for temporary salaries to provide a total of \$74,139.

⁶ Funding for additional information technology development costs is added relating to changes in oil revenue distributions and other changes.

Section 4 is changed to reflect the State Treasurer's salary at a 3 percent annual salary increase rather than 4 percent as provided for in the executive budget.

A section of legislative intent is added providing that the Treasurer's salary be increased to the salary of the next lowest paid elected official effective July 1, 2017.



STATE OF NORTH DAKOTA
OFFICE OF STATE TREASURER
Kelly L. Schmidt, State Treasurer

/

House Bill 1005
Testimony in Support
Committee: Senate Appropriations
Kelly Schmidt
State Treasurer

3 - 8 - 13

Mr. Chairman, members of the committee:

For the record, I am Kelly Schmidt, State Treasurer. I am here to present our budget for the 2013-15 biennium for the Office of State Treasurer.

Mission

The primary mission of the Office of State Treasurer is to fulfill our constitutional and statutory responsibilities in order to assure sound financial oversight and absolute safety of all public funds collected, managed and disbursed.

DEPARTMENT OVERVIEW

We support this mission through our efforts in four functional areas:

- Accounting and Receipting
- Securities and Investments
- Financial Literacy
- Cash Management
- Tax Collections and Distribution

Accounting and Receipting:

The Office of State Treasurer is responsible for the depositing and issuing of receipts for income and expenditures for over 100 state agencies.

- We reconcile the State's accounts for the proper management and distribution of over 1.5 million accounting, human service and payroll checks to state agencies under PeopleSoft, the central accounting system.
- We continue to find efficiencies and update our processes through the use of technology, education and communication with our customers.
- Our TDOC System (Tax Distribution/Outstanding Check) enables state agencies to better manage their agency's outstanding checks. TDOC increases transparency and efficiency in the cash flow process. It provides the reporting mechanism needed to assist political subdivisions to complete their portion of a distribution. IE: Townships. TDOC also reduces the state's outstanding checks and the dollars transferred to Unclaimed Property. HB 1088 passed in the 2011 Legislative Session provides for additional efficiency by adding a reporting requirement to our duties bringing greater transparency to the process.

Securities and Investments

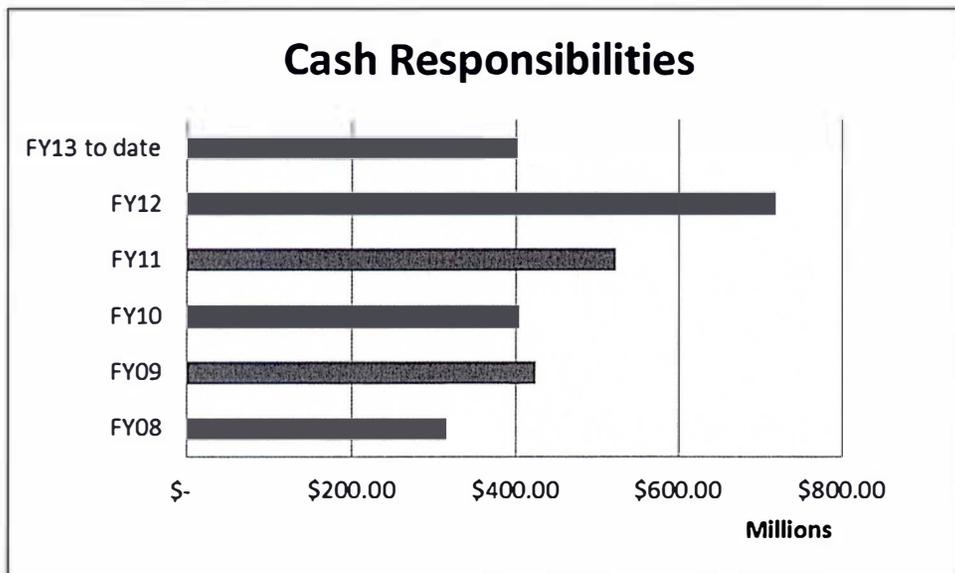
- The Treasurer serves as the custodian for all state funds and is the fiduciary of many. We provide ongoing investment services for over 25 state agencies, as well as many trust funds, including the Veterans Postwar Trust Fund, Credit Sales Contract Indemnity Fund. We currently manage over 100 individual investment accounts.
- We also provide investment services for over 10 agriculture commodity groups. The majority of these investments are made through our BidND program. Using a bid process, BidND invests dollars in financial institutions across the state.

Financial Literacy

- Partnership with VISA which provides Financial Football/Financial Soccer CD's. These are made available to Public Libraries and School across the state
- ND JumpStart Coalition Member
- National Association of State Treasurer's Foundation partnership which provides the Tomorrow's Money financial literacy addition to our agency website.
- The Treasurer has not spent any budget dollars on financial literacy efforts to date.

Cash Management

- Cash management of the State of North Dakota involves a systematic gathering of information about our state's collections, disbursements, balances and the use of that information to effectively manage funds available. Efficient cash management ensures the North Dakota's ability to cover state obligations while optimizing investment returns.
- We have maintained and strengthened the line of communication with financial officers throughout state government to address the daily cash needs and expenditures of their agencies. In this day of immediate transactions, communication is critical to our agency's ability to effectively manage cash flow.
- General Fund dollars invested in CD's at the Bank of North Dakota have increased by 248% since the end of fiscal year 2008. Other investments managed by the Treasurer's Office have increased by 236%.



- To date, the Office of State Treasurer manages 350 general fund CD's totaling \$2.8 billion. CD's are purchased and sold daily of which interest is payable monthly. The increase of dollars in the state treasury has created a dramatic effect in the daily workload of the State Treasurer's Office. (Separation of duties/Spreadsheets/verification and approval process/monthly interest allocation with approval/monthly general fund CD reconciliation averages 3 hours)

Tax Distributions

The Office of State Treasurer performs direct deposit of electronic funds for tax distributions.

- Biennium to date, we have distributed over \$1 billion to approximately 500 political subdivisions. Total funds have more than DOUBLED from FY 2008 to FY 2012.

We have written many distributions into our Tax Distribution/Outstanding Check System (TDOC) this web based system pulls data from a variety of sources, which streamlines our distributions and ensures greater accuracy and efficiency. TDOC allows us to process and reconcile reports prior to distributing funds. This form of checks and balances allows us to make any needed corrections before they affect the distribution. This was not possible with our previous system, which required ITD to manually reset the system followed by starting the distribution process again from the beginning. To add greater efficiency and aid in communicating data to interested agencies and political subdivisions, TDOC automatically sends distribution data to our agency website for public viewing once we finalize a distribution.

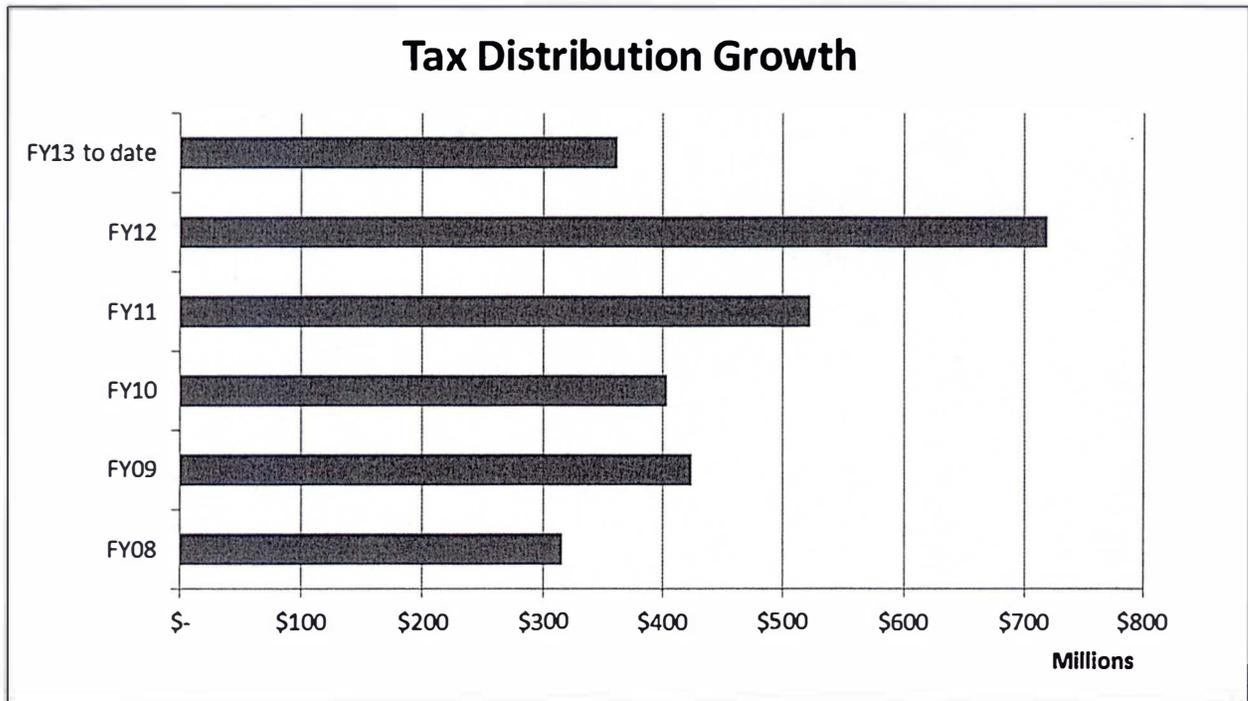
Collections:

Indigent Defense Administration Fund
Domestic Violence Prevention Fund
District Court Fees

Distributions:

Airline	Co2 Pipeline	City Cigarette
City Motor Vehicle Rental	City Occupancy	City Restaurant/Lodging
City Sales Tax	Coal Conversion	Coal Conversion Shortfall
Coal Severance	Disabled Vets Homestead	Electrical Transmission
Estate Tax	Financial Institutions	Flood Control
Forest Service	Highway Tax	Homestead Tax
Mineral Management	Oil & Gas Production	Oil Extraction – Tribal
New Jobs	Senior Mill Levy	Taylor Grazing
Telecommunication	Township Road	Tribal Cigarette Tax
Tribal Highway Tax	Potash Distribution	

\$59.9 million one-time weather related distribution
\$48 million one-time non-oil producing county, city, township transportation distribution
SB 2176 – \$100 million one-time non-oil producing county, city, township transportation distribution – 2013 Legislative Fast Track Initiative.



Our distribution responsibilities have increased from 32 to 35 distributions since 2008, more **importantly is the complexity of the distributions**. For example, the Oil and Gas Tax distribution is extremely complex and increases each time the statutes are amended, which has been every session I have been in office. My staff then has to relearn/program the distribution as if it were new. We are also required to retain all former and current distribution formulas in order to process and “apply backs”. The necessity of the apply back is a challenge for my staff and brings capacity challenges to our computer system. (TDOC)

Accomplishments

- Coal Conversion/Coal Severance Distribution to TDOC
- No significant audit findings in our agency audit or CAFR
- Education/Outreach with political subdivisions
- Education/Outreach financial officers throughout state government to address federal drawdown/cash flow needs
- Education/Outreach relating to state funds through website/radio – this was extremely noticeable with Measure #2
- Financial Literacy partnership with VISA: Financial Football/Soccer.
- Treasurer continues to represent North Dakota across the country in the Financial Literacy arena. Presented at the National Financial Education network hosted by the US Department of the Treasury
- Treasurer Schmidt elected and served as President of the National Association of State Treasurers.
- Hosted the 2011 National Association of State Treasurer Annual Conference. A first for North Dakota.

2013-15 Budget Request

The Executive Recommendation includes the addition of 1 FTE and one time spending for technology.

Salary and Wages

Our budget request included 2 FTE's, an Account Manager and an Account/Budget Specialist II. The Executive Recommendation included funding for an Account/Budget Specialist II at \$157,223.

Our urgent and immediate need is for an Account Manager, which would require an additional \$38,000 for wages/benefits when hiring at midpoint. The Account Manager position would fill the lead accounting position in my office.

- Supervision of all fiscal staff and report directly to the Treasurer.
- Supervision of Cash Management and the **development of a new cash management process.**
- Supervision of all Tax Distributions/back up
- **Research/Analysis** as needed for legislators, the public and political subdivisions.
- Participation in overall strategic planning and development of the Office of State Treasurer.

The HOUSE added \$38,000 to address our critical need of an Account Manager. The House also discussed adding an emergency clause to this hire, but we missed it. As we continue to track the progress of legislation, specifically oil and gas, it would extremely beneficial to have this person on board during the development and implementation of these changes. The knowledge gained during this process would typically take 1-2 years under regular working conditions.

I have abandoned the second FTE request and instead requested an additional \$40,000 to our salary line for temporary help. This would allow flexibility for additional help when critical needs arise. EXAMPLE: We have been experiencing numerous IT issues relating to system failure and file loss. I am in discussion with ITD at the possibility of partnering with another state agency to bring in IT staff to address these needs on a temporary basis. This would also allow us to bring in additional help during critical time periods such as biennium end/ year end, additional distributions required.

In the last year, I have had 2 staff resign for other opportunities and one long time employee retire two years earlier than originally planned. All three employees cited an increase in workload and elevated stress as the main reason for leaving. Thus, three of my four fiscal staff have been in their positions for less than a year. (Recent illness issue)

Checks and Balances are an important part of the processes in the Treasurer's Office. IE: Those processing agency checks and cash cannot be producing the deposit. This is not optional. (Cross training and workflow require a triangle approach)

After discussion with the Secretary of State's Office relating to the shared IT program and Temporary staffing companies in the area, this request was increased by the HOUSE to \$60,000 to accommodate the challenges of our workflow.

Technology

The Executive Budget provided funding for: \$191,516 this includes:

One time technology costs include the addition of the following:

- Monthly State Revenue Report
- Monthly Court Collections

Additions to TDOC:

- City Sales Tax
- City Motor Vehicle
- City Occupancy Lodging
- City Restaurant and Lodging

Mike Ressler from ITD brought forward estimates of \$173,304 which include IT costs associated with HB 1358 (Oil/Gas), HB 1278 (Heritage bill), The HOUSE added these estimates to our one time IT funding for a total of \$364,820.

Fiscal Notes and the Treasurer's Office

The fiscal note process is a challenging one for our office. The majority of fiscal note requests relating to tax distributions are sent to the Tax Department for revenue impact. The expenditure side of the distribution change is not reported in the legislative process with the exception of a footnote included on those fiscal notes. We had the opportunity to submit only 3 fiscal notes last session. Yet there are several which will affect our system. We will continue to track and provide updates as we move through the budget process.

It is critical my office stay ahead of the technology needed to properly distribute funds. It is vital that we continue to provide timely, accurate and up to date information to ensure all funds are properly distributed and reporting is made available to those political subdivisions which also bear the responsibility of distribution.

Other changes include an amendment to 54-11-10 of the NDCC relating to corrections made by the Treasurer's Office. This change defines corrections of any underpayment, overpayment or erroneous payment resulting from an error made by the State Treasurer.

Legislative intent has been added relating to the salary of the State Treasurer.

Salary adjustments have been made reflecting the overall changes made by the HOUSE as it relates to the salary, benefits and accrued leave.

PLEASE NOTE: The accrued leave payments line added to agency budgets by the HOUSE will have tremendous impact on small state agencies. Using current salary amounts, if the \$13,038 were removed, I would NOT be able to continue paying at the current salary level. This would also add to the salary challenges in an already difficult and competitive market.

Mr. Chairman, this concludes my budget presentation. I am happy to answer any questions.

NDLA, S APP ASST - Laning, Rose

From: Schmidt, Kelly L.
Sent: Friday, March 08, 2013 9:17 AM
To: Carlisle, Ron
Cc: NDLA, S APP ASST - Laning, Rose
Subject: HB 1005 - Testimony Addition

Sen. Carlisle.

To elaborate on your question of cross training in my office.

My Deputy and Executive Assistant are both cross-trained to process checks as needed. The remaining duties, which would be assigned to the new Account Manager position, would be the backup for the cash flow and investing of the general fund and tax distributions. These duties require a different skill set and months of training.

Should you have additional questions feel free to contact me.

Kelly Schmidt
Treasurer
State of North Dakota

*"Far and away the best prize that life has to offer
is the chance to work hard at work worth doing"*
~ Teddy Roosevelt

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PROPOSED AMENDMENTS TO REENGROSSED HOUSE BILL NO. 1005

Page 1, line 3, remove the second "and"

Page 1, line 4, after "intent" insert "; and to declare an emergency"

Page 1, replace lines 13 through 17 with:

"Salaries and wages	\$1,054,524	\$374,264	\$1,428,788
Operating expenses	163,066	337,110	500,176
Coal severance payments	<u>252,800</u>	<u>0</u>	<u>252,800</u>
Total general fund	\$1,470,390	\$711,374	\$2,181,764"

Page 2, line 20, replace "ninety" with "ninety-one"

Page 2, line 20, replace "five" with "four"

Page 2, line 21, replace "twenty-seven" with "six"

Page 2, line 21, replace "ninety-three" with "ninety-five"

Page 2, line 22, replace "two hundred forty-three" with "sixty-two"

Page 2, after line 25, insert:

"SECTION 6. EMERGENCY. The sum of \$195,223 and one full-time equivalent position included in section 1 of this Act are declared to be an emergency measure."

ReNUMBER accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1005 - State Treasurer - Senate Action

	Executive Budget	House Version	Senate Changes	Senate Version
Salaries and wages	\$1,317,913	\$1,375,684	\$53,104	\$1,428,788
Operating expenses	326,872	500,176		500,176
Coal severance payments	252,800	252,800		252,800
Accrued leave payments		<u>13,038</u>	<u>(13,038)</u>	
Total all funds	\$1,897,585	\$2,141,698	\$40,066	\$2,181,764
Less estimated income	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
General fund	\$1,897,585	\$2,141,698	\$40,066	\$2,181,764
FTE	8.00	8.00	0.00	8.00

Department No. 120 - State Treasurer - Detail of Senate Changes

	Restores Executive Compensation Package ¹	Removes Separate Line Item for Accrued Leave Payments ²	Total Senate Changes
Salaries and wages	\$40,066	\$13,038	\$53,104
Operating expenses			
Coal severance payments			
Accrued leave payments		<u>(13,038)</u>	<u>(13,038)</u>
	<u>\$40,066</u>	<u>\$0</u>	<u>\$40,066</u>

Total all funds			
Less estimated income	0	0	0
General fund	\$40,066	\$0	\$40,066
FTE	0.00	0.00	0.00

¹Funding reductions made by the House to the state employee compensation and benefits package are restored to the Governor's recommended level.

²The accrued leave payments line item added by the House is removed and the associated funding returned to line items with salaries and wages funding.

Section 4 of the bill is changed to provide 4 percent annual salary increases for the State Treasurer, the same as the executive budget. The House provided 3 percent annual increases.

A section is added to declare an emergency for the new account manager FTE position to allow the position to be filled prior to July 1, 2013.